TLMC

Tak Lee Machinery Holdings Limited
德利機械控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code on Main Board: 2102)
(Stock Code on GEM: 8142)

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Joint Sponsors

第一上海 FIRST SHANGHAI GROUP

西證國際 SOUTHWEST SECURITIES

Reference is made to the announcements of the Company made on 31 October 2019 and 21 May 2020 in relation to the formal applications submitted to the Stock Exchange for the Transfer of Listing pursuant to Chapter 9A of the Main Board Listing Rules.

The Company submitted a formal application to the Stock Exchange on 31 October 2019 for the Transfer of Listing, and a renewed application was made by the Company on 20 May 2020. The Company has applied for the listing of, and permission to deal in, (i) the 1,000,000,000 Shares in issue; and (ii) any Shares which may be issued upon the exercise of any share options which may be granted under the Share Option Scheme, on the Main Board by way of Transfer of Listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle was granted by the Stock Exchange on 23 September 2020 for the Shares to be listed on the Main Board and de-listed from GEM. The last day of dealings in the Shares on GEM (stock code: 8142) will be 5 October 2020. Dealings in the Shares on the Main Board will commence at 9:00 a.m. on 6 October 2020. The Shares will be traded on the Main Board under the new stock code "2102".

All pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have, insofar as applicable, been fulfilled in relation to the Company and its Shares as at the date of this announcement.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

Reference is made to the announcements of the Company made on 31 October 2019 and 21 May 2020 in relation to the formal applications submitted to the Stock Exchange for the Transfer of Listing pursuant to Chapter 9A of the Main Board Listing Rules.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

The Company submitted a formal application to the Stock Exchange on 31 October 2019 for the Transfer of Listing, and a renewed application was made by the Company on 20 May 2020. The Company has applied for the listing of, and permission to deal in, (i) the 1,000,000,000 Shares in issue; and (ii) any Shares which may be issued upon the exercise of any share options which may be granted under the Share Option Scheme, on the Main Board by way of Transfer of Listing from GEM to the Main Board. First Shanghai and Southwest Securities have been appointed as the Joint Sponsors by the Company to advise on the Transfer of Listing from GEM to the Main Board. Southwest Securities has been the compliance adviser of the Company since the Listing until 17 October 2019, being the date of publication of the annual report of the Company for the second full financial year commencing after the date of Listing.

The Board is pleased to announce that the approval-in-principle was granted by the Stock Exchange on 23 September 2020 for the Shares to be listed on the Main Board and de-listed from GEM. The last day of dealings in the Shares on GEM (stock code: 8142) will be 5 October 2020. Dealings in the Shares on the Main Board will commence at 9:00 a.m. on 6 October 2020. The Shares will be traded on the Main Board under the new stock code “2102”.

The Board confirms that all pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have, insofar as applicable, been fulfilled in relation to the Company and its Shares as at the date of this announcement.

REASONS FOR THE TRANSFER OF LISTING

The Company has been listed on GEM since 27 July 2017. The Group is engaged in the provision of (i) sales of heavy equipment and spare parts, (ii) the leasing of heavy equipment, and (iii) the provision of maintenance and ancillary services in Hong Kong. Further details of the principal business activities of the Group are set out in the paragraph headed "Summary of the Group's business" in this announcement.

Given that GEM has been positioned and perceived as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Main Board and that the entry requirements for Main Board are higher than that of GEM, the Directors consider that the Main Board is a market for more established companies and is perceived to enjoy a more advanced status. Thus the Transfer of Listing will enhance the profile of the Group and strengthen the recognition of the Group in the industry and among both institutional and retail investors, which would result in a larger investor base and greater trading liquidity of the Shares and enhance the competitiveness of the Group in the industry. Considering the aforesaid, the Directors are of the view that the listing of the Shares on the Main Board will be beneficial to the future growth, business development and financial flexibility of the Group.

The Transfer of Listing will not involve any issue of new Shares by the Company. As at the date of this announcement, the Board does not contemplate any change in the nature of principal business activities of the Group following the Transfer of Listing.

SUMMARY OF THE GROUP'S BUSINESS

Principal business

The Group is a heavy equipment sales and leasing service provider in Hong Kong with over 19 years of presence in the industry. The Group is principally engaged in (i) the sale of new and used earthmoving equipment and spare parts, (ii) the leasing of earthmoving equipment, and (iii) the provision of maintenance and ancillary services for earthmoving equipment users in Hong Kong. The Group also offers some heavy equipment other than earthmoving equipment for sales and for leasing. The Group has not changed its principal business since its listing on GEM on 27 July 2017.

The following table sets out a breakdown of the Group's revenue by business segments for the respective year/period:

	Year ended 31 July						Nine months ended 30 April			
	2017		2018		**2019**		2019		**2020**	
	Revenue	Contribution to total revenue	Revenue	Contribution to total revenue	**Revenue**	**Contribution to total revenue**	Revenue	Contribution to total revenue	**Revenue**	**Contribution to total revenue**
	HK$'000	%	*HK$'000*	%	***HK$'000***	**%**	*HK$'000*	%	***HK$'000***	**%**
							(Unaudited)		***(Unaudited)***	
Sales of heavy equipment and spare parts	274,999	93.9	546,903	91.2	**501,954**	**87.8**	357,144	88.5	**351,337**	**73.9**
Leasing of heavy equipment	14,010	4.8	47,383	7.9	**65,846**	**11.5**	43,130	10.7	**120,046**	**25.3**
Maintenance and ancillary services	3,784	1.3	5,533	0.9	**4,249**	**0.7**	3,073	0.8	**3,720**	**0.8**
Total	292,793	100.0	599,819	100.0	**572,049**	**100.0**	403,347	100.0	**475,103**	**100.0**

The Group provides a "one-stop shop" for earthmoving equipment users. Under such business model, sales business accounted for the largest portion of the Group's revenue generated during the three years ended 31 July 2019 and the nine months ended 30 April 2020. The remaining portion of the Group's revenue was contributed by leasing of heavy equipment and maintenance and ancillary services.

Sales of heavy equipment and spare parts

In respect of the sales business, the Group offers products to customers by (i) providing ready stock without refitting, (ii) providing ready stock which requires refitting as requested by the customers, and (iii) placing purchase order with the Group's suppliers upon the placing of order by customers.

For the three years ended 31 July 2019 and the nine months ended 30 April 2020, the Group generated a majority of revenue from its sales business, in which a substantial portion of the revenue was derived from the sales of heavy vehicles. The table below sets out the revenue from the sub-segment of sales of heavy equipment and spare parts of the Group for the respective year/period:

	Year ended 31 July			**Nine months ended 30 April**	
	2017	2018	**2019**	2019	**2020**
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***
				(Unaudited)	***(Unaudited)***
Earthmoving equipment					
Heavy vehicles					
– New	83,851	134,904	**239,078**	166,820	**202,196**
– Used	147,003	336,197	**202,048**	143,298	**106,910**
	230,854	471,101	**441,126**	310,118	**309,106**
Earthmoving attachment					
– New	5,141	5,642	**6,491**	5,014	**2,690**
– Used	839	14	**528**	120	**–**
	5,980	5,656	**7,019**	5,134	**2,690**
Sub-total	236,834	476,757	**448,145**	315,252	**311,796**
Other heavy equipment					
– New	12,742	31,542	**32,548**	27,217	**10,958**
– Used	2,835	8,636	**1,094**	201	**14,440**
	15,577	40,178	**33,642**	27,418	**25,398**
Spare parts	22,588	29,968	**20,167**	14,474	**14,143**
Total	274,999	546,903	**501,954**	357,144	**351,337**

The Group offers both new and used heavy equipment to its customers in order to capture maximum business opportunities. The growth for the Group's sales business was attributable to the large number of heavy vehicles sold, in particular during the year ended 31 July 2018, in which the revenue surged significantly by approximately 104.1% as compared to the revenue recorded in the year ended 31 July 2017. The revenue from the sales of heavy equipment and spare parts decreased by approximately 8.2% for the year ended 31 July 2019 as compared to the revenue recorded in the year ended 31 July 2018. Such decrease was mainly attributable to the decrease in sales of used heavy vehicles, which was due to a slowdown of market demand for used heavy vehicles in view of the global economic downturn at the time. However, the sales of new heavy vehicles increased considerably during the year due to the market demand of new heavy vehicles arising from the commencement of various infrastructure, reclamation and tunnel projects in Hong Kong, of which their prior funding approvals have been obtained from the Legislative Council of Hong Kong or the Airport Authority Hong Kong. As the granting of the funding approvals was for local public projects which were implemented in accordance with the blueprint of the Hong Kong government and were relatively unaffected by the global economic environment, the demand arising therefrom for new heavy vehicles had not been affected by the global economic environment, contributing to the increase in sales of new heavy vehicles for the years ended 31 July 2018 and 2019.

Besides, the customers of the Group generally opted for new heavy equipment for work in these public projects after taking into account (i) the time and cost for delivery of equipment to the remote areas some of these projects are conducted in, (ii) the potential delay which may be caused to maintain or replace failed equipment, and (iii) the timeframes set for these public projects. In addition, some of the heavy vehicles used in these projects are specialised heavy equipment. The Directors confirm that as it is harder to source in the market used version of such heavy vehicles, the customers would also purchase new heavy vehicles from the Group. In contrast, the Directors are of the view that the market demand for used heavy vehicles was less influenced by such approved public projects. Furthermore, the sales pattern for heavy vehicles for the years ended 31 July 2018 and 2019 were different. During the year ended 31 July 2018, a considerable amount of used heavy vehicles were sold by the Group in Hong Kong to customers located outside of Hong Kong. The sale of used heavy vehicles to customers located outside Hong Kong in aggregate generated approximately HK$153.3 million, representing approximately 32.5% of the revenue generated from the sale of all heavy vehicles for the year ended 31 July 2018, compared with that of the year ended 31 July 2019, which was approximately HK$72.7 million, representing approximately 16.5% of the revenue generated from the sale of all heavy vehicles for the year ended 31 July 2019. The Directors are of the view that the purchasing needs of these customers were generally more sensitive to global economic trends, hence less purchases were made by these customers located outside of Hong Kong and the sale of used heavy vehicles decreased accordingly during the year ended 31 July 2019.

Revenue from sales business decreased slightly for the nine months ended 30 April 2020 as revenue recorded from sales business was approximately HK$351.3 million for the nine months ended 30 April 2020, as compared to that of approximately HK$357.1 million for the nine months ended 30 April 2019. The Group reported a decrease in sales of used heavy vehicles of approximately HK$36.4 million or 25.4% for the nine months ended 30 April 2020 as compared to that for the nine months ended 30 April 2019 due to a slowdown of market demand for used heavy vehicles in view of the continuation of global economic downturn. Such decrease in sales of used heavy vehicles was partly offset by the increase in the sales of new heavy vehicles of approximately HK$35.4 million or 21.2%, mainly due to the market demand of new heavy vehicles arising from the commencement and progress of various infrastructure, reclamation and tunnel projects in Hong Kong as abovementioned.

The table below sets out the revenue, sales volume and average unit price by types of earthmoving equipment of the Group for the three years ended 31 July 2019 and the nine months ended 30 April 2020:

	Year ended 31 July									Nine months ended 30 April					
	2017			2018			**2019**			2019			**2020**		
	Revenue *HK$'000*	Sales volume	Average unit price *HK$'000*	Revenue *HK$'000*	Sales volume	Average unit price *HK$'000*	**Revenue** ***HK$'000***	**Sales volume**	**Average unit price** ***HK$'000***	Revenue *HK$'000* *(Unaudited)*	Sales volume	Average unit price *HK$'000*	**Revenue** ***HK$'000*** ***(Unaudited)***	**Sales volume**	**Average unit price** ***HK$'000***
Heavy vehicles															
New	83,851	86	975	134,904	136	992	**239,078**	**162**	**1,476**	166,820	112	1,489	**202,196**	**117**	**1,728**
Used	147,003	275	535	336,197	519	648	**202,048**	**330**	**612**	143,298	223	643	**106,910**	**134**	**798**
	230,854	361		471,101	655		**441,126**	**492**		310,118	335		**309,106**	**251**	
Earthmoving attachment	5,980	41	146	5,656	47	120	**7,019**	**42**	**167**	5,134	27	190	**2,690**	**22**	**122**
Total	236,834	402		476,757	702		**448,145**	**534**		315,252	362		**311,796**	**273**	

The following table sets out a breakdown of the Group's revenue derived from its sales of new heavy equipment by their respective brands:-

	Year ended 31 July						Nine months ended 30 April			
	2017		2018		**2019**		2019		**2020**	
	Revenue *HK$'000*	Contribution to the sale of new heavy equipment *%*	Revenue *HK$'000*	Contribution to the sale of new heavy equipment *%*	**Revenue** ***HK$'000***	**Contribution to the sale of new heavy equipment** ***%***	Revenue *HK$'000* *(Unaudited)*	Contribution to the sale of new heavy equipment *%*	**Revenue** ***HK$'000*** ***(Unaudited)***	**Contribution to the sale of new heavy equipment** ***%***
Earthmoving equipment										
Heavy vehicles										
Hitachi	75,450	74.2	124,895	72.6	**210,362**	**75.7**	148,306	74.5	**106,520**	**49.4**
Bell	2,780	2.7	–	–	**23,157**	**8.3**	14,699	7.4	**95,232**	**44.1**
Ammann	3,012	3.0	4,080	2.4	**3,795**	**1.4**	2,230	1.1	**444**	**0.2**
Other brands	2,609	2.5	5,929	3.4	**1,764**	**0.6**	1,585	0.8	**–**	**–**
	83,851	82.4	134,904	78.4	**239,078**	**86.0**	166,820	83.8	**202,196**	**93.7**
Earthmoving attachment										
Ramfos	3,472	3.4	3,944	2.3	**959**	**0.3**	741	0.4	**1,268**	**0.6**
TLMC *(Note)*	720	0.7	105	0.1	**1,533**	**0.6**	1,533	0.8	**–**	**–**
Rotobec	238	0.3	520	0.3	**2,554**	**0.9**	2,014	1.0	**718**	**0.3**
Other brands	711	0.7	1,073	0.6	**1,445**	**0.5**	726	0.3	**704**	**0.3**
	5,141	5.1	5,642	3.3	**6,491**	**2.3**	5,014	2.5	**2,690**	**1.2**
Other heavy equipment										
Airman	2,241	2.2	31,542	18.3	**29,558**	**10.6**	25,104	12.6	**6,234**	**2.9**
Other brands	10,501	10.3	–	–	**2,990**	**1.1**	2,113	1.1	**4,724**	**2.2**
	12,742	12.5	31,542	18.3	**32,548**	**11.7**	27,217	13.7	**10,958**	**5.1**
Total	101,734	100.0	172,088	100.0	**278,117**	**100.0**	199,051	100.0	**215,844**	**100.0**

Note: *TLMC is a brand of the Group.*

Most of the new heavy equipment sold by the Group are earthmoving equipment, and among which earthmoving equipment of Hitachi brand generated most revenue compared to earthmoving equipment of other brands during the three years ended 31 July 2019 and the nine months ended 30 April 2020, which accounted for approximately 74.2%, 72.6%, 75.7% and 49.4% of the sale of new heavy equipment for each of the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020, respectively. Since 6 August 2019, the Group has been the authorised distributor in respect of heavy vehicles of Bell brand in Hong Kong. The revenue generated from the sales of heavy vehicles of Bell brand surged during the three years ended 31 July 2019 and the nine months ended 30 April 2020, accounting for approximately 2.7%, nil, 8.3% and 44.1% of the sale of new heavy equipment in the corresponding years or period. The products sold by the Group under the Hitachi brand were mainly excavators and those under the Bell brand were mainly articulated dump trucks. The sales of heavy vehicles of Bell brand was relatively small during the year ended 31 July 2017 and was nil during the year ended 31 July 2018 because the Group had just commenced its sales of heavy vehicles of Bell brand in Hong Kong and was mainly in the process of exploring market demand, identifying potential customers and introducing the products to its potential customers. During the year ended 31 July 2019, with the commencement of various infrastructure, reclamation and tunnel projects in Hong Kong and the previous marketing effort of the Group, the demand for the heavy vehicles of Bell brand started to increase. On 6 August 2019, the Group also successfully entered into the distributorship agreement for heavy vehicles of Bell brand in Hong Kong. As such, the sales of heavy vehicles of Bell brand increased significantly after the year ended 31 July 2018. The Group also seized market opportunities through tapping into the power and energy equipment market by securing distributorship of power and energy equipment of Airman brand. The power and energy equipment of Airman brand accounted for approximately 2.2%, 18.3%, 10.6% and 2.9% of the sale of new heavy equipment for each of the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020, respectively.

Leasing business

The Group leases equipment on dry or wet hire basis (i.e. leasing of equipment without or with an operator) and adopts a flexible fleet management strategy in operating its leasing business. Depending on the circumstances, for instance the condition of the equipment in the leasing fleet or the demand of customers, the Group may either sell the equipment for its sales business or include the equipment in its leasing fleet. The Group continues to expand its leasing fleet and the leasing business of the Group grew steadily during the three years ended 31 July 2019 and the nine months ended 30 April 2020.

The following table sets out the information on the number of leased equipment and the leasing period by category for the three years ended 31 July 2019 and the nine months ended 30 April 2020:

	Year ended 31 July 2017			
	Number of equipment leased out	Leasing period range	Average leasing period	Average daily rental per unit
	units	*days*	*days*	*HK$*
Earthmoving equipment				
Heavy vehicles	92	1-351	76	1,782
Earthmoving attachment	19	7-278	124	19
Other heavy equipment	45	13-182	56	594
	156			

	Year ended 31 July 2018			
	Number of equipment leased out	Leasing period range	Average leasing period	Average daily rental per unit
	units	*days*	*days*	*HK$*
Earthmoving equipment				
Heavy vehicles	182	1-365	128	1,672
Earthmoving attachment	28	5-365	132	75
Other heavy equipment	147	3-365	218	252
	357			

	Year ended 31 July 2019			
	Number of equipment leased out	**Leasing period range**	**Average leasing period**	**Average daily rental per unit**
	units	***days***	***days***	***HK$***
Earthmoving equipment				
Heavy vehicles	**240**	**2-359**	**137**	**1,666**
Earthmoving attachment	**33**	**10-365**	**159**	**61**
Other heavy equipment	**161**	**18-365**	**240**	**274**
	434			

	Nine months ended 30 April 2019			
	Number of equipment leased	Leasing period range	Average leasing period	Average daily rental per unit
	units	*days*	*days*	*HK$*
Earthmoving equipment				
Heavy vehicles	170	20-273	132	1,571
Earthmoving attachment	26	22-273	146	60
Other heavy equipment	143	35-273	198	273
	339			

	Nine months ended 30 April 2020			
	Number of equipment leased	**Leasing period range**	**Average leasing period**	**Average daily rental per unit**
	units	***days***	***days***	***HK$***
Earthmoving equipment				
Heavy vehicles	**279**	**3-274**	**134**	**2,953**
Earthmoving attachment	**41**	**10-274**	**98**	**94**
Other heavy equipment	**177**	**6-274**	**181**	**280**
	497			

The average daily rental value for heavy vehicles remained relatively stable at approximately HK$1,782 per unit, HK$1,672 per unit and HK$1,666 per unit for the years ended 31 July 2017, 2018 and 2019, respectively. The average daily rental value for heavy vehicles increased substantially from HK$1,666 per unit for the year ended 31 July 2019 to HK$2,953 per unit for the nine months ended 30 April 2020. The increase was mainly attributable to the longer operating hours per day of the heavy vehicles and operators for operations of the Group's customers in reclamation projects. The average daily rental value for other heavy equipment decreased from approximately HK$594 per unit for the year ended 31 July 2017 to approximately HK$252 per unit for the year ended 31 July 2018 and approximately HK$274 per unit for the year ended 31 July 2019. Such decrease in the average daily rental value was due to the Group introduced and leased out a large number of power and energy equipment, which generally has a lower rental rate than other heavy equipment, during the years ended 31 July 2018 and 2019. As such, the average daily rental of other heavy equipment was lower for the years ended 31 July 2018 and 2019. For the nine months ended 30 April 2020, the average daily rental value of other heavy equipment remained relatively stable at approximately HK$280 per unit when compared to the average daily rental value of other heavy equipment at approximately HK$274 per unit for the year ended 31 July 2019.

In order to capture business opportunities in the leasing market, the Group has implemented marketing strategy since 2018 to attract customers to lease heavy equipment for longer leasing period. In order to encourage customers to increase the leasing period, the Group used strategies such as offering free delivery of the heavy equipment to the designated sites if the leasing periods exceed certain length of time, or offering slightly lower leasing fees if customers agree to longer leasing periods. As a result, the average leasing period of leased heavy equipment has increased during the years ended 31 July 2018 and 2019.

Maintenance and ancillary services

Under the holistic "one-stop shop" approach of the Group, maintenance and ancillary services were provided to earthmoving equipment users. In comparison with the sales business and the leasing business, the contribution of this segment to the revenue of the Group was insignificant during the three years ended 31 July 2019 and the nine months ended 30 April 2020.

Customers

For sales and leasing businesses, during the three years ended 31 July 2019 and the nine months ended 30 April 2020, the Group's customers include main contractors and subcontractors in the construction and civil engineering industries, used machinery traders and waste services companies. Customers who engage the Group for maintenance and ancillary services are usually existing customers who purchased or leased equipment from the Group. The principal market of the Group is Hong Kong and all contracts with customers are concluded in Hong Kong. For the three years ended 31 July 2019 and the nine months ended 30 April 2020, the majority of sales customers of the Group were based in Hong Kong whereas some were located outside Hong Kong.

Revenue generated by the Group's top five customers for the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020 amounted to approximately HK$65.6 million, HK$164.7 million, HK$144.6 million and HK$218.6 million, representing approximately 22.5%, 27.5%, 25.3% and 46.1% of the total revenue of the Group, respectively. Revenue from the largest customer of the Group for the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020 amounted to approximately HK$16.5 million, HK$56.2 million, HK$37.2 million and HK$108.7 million, representing approximately 5.6%, 9.3%, 6.5% and 22.9% of the Group's total revenue, respectively. The following tables set out the brief particulars of the top five customers for the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020:

For the year ended 31 July 2017

Rank	Customer	Approximate years of business relationship	Principal products/services provided by the Group	Background information	Approximate percentage of total revenue	Credit period	Payment method
1	Customer A	4 years	Sales of earthmoving equipment and spare parts and leasing of earthmoving equipment	A private company incorporated in Hong Kong which is principally engaged in the provision of construction services	5.6%	30 days	Bank transfer and by cheque
2	Customer B	3 years	Sales of earthmoving equipment and spare parts	A limited liability company established in the PRC which is principally engaged in the trading of construction machinery	5.2%	30 days for equipment; and 30 days for spare parts	Bank transfer
3	Customer C	5 years	Sales of earthmoving equipment and spare parts and leasing of earthmoving equipment	A subsidiary of a Hong Kong listed company which is principally engaged in the provision of site formation works in Hong Kong	4.9%	30 days for sales and leasing of equipment; and nil for spare parts	By cheque
4	Customer D	7 years	Sales of spare parts	A limited liability company established in the PRC which is principally engaged in the trading of spare parts of machinery	3.7%	30 days	Cash and bank transfer
5	Customer E	4 years	Sales of earthmoving equipment and spare parts	An individual who is engaged in the trading of used heavy equipment business	3.1%	Nil	Bank transfer

For the year ended 31 July 2018

Rank	Customer	Approximate years of business relationship	Principal products/services provided by the Group	Background information	Approximate percentage of total revenue	Credit period	Payment method
1	Customer F	4 years	Sales of earthmoving equipment	A private company incorporated in Hong Kong which is principally engaged in the trading of used heavy equipment	9.3%	30 days	Bank transfer
2	Customer G	2 years	Sales of earthmoving equipment	A limited liability company established in the PRC which is principally engaged in the trading of used heavy equipment and spare parts for vehicles	7.4%	30 days	Bank transfer
3	Customer H	4 years	Sales of earthmoving equipment and spare parts and leasing of earthmoving equipment	A subsidiary of a Hong Kong listed company which is principally engaged in the provision of foundation works in Hong Kong	4.0%	30 days for sales of equipment and spare parts and leasing of equipment	By cheque
4	Customer I	2 years	Sales of earthmoving equipment	A limited liability company established in the PRC which is principally engaged in the trading of used heavy equipment business	3.6%	Nil	Bank transfer
5	Customer J	2 years	Sales of earthmoving equipment	A private company incorporated in Hong Kong which is principally engaged in the trading of used heavy equipment business	3.2%	30 days	By cheque and bank transfer

For the year ended 31 July 2019

Rank	Customer	Approximate years of business relationship	Principal products/services provided by the Group	Background information	Approximate percentage of total revenue	Credit period	Payment method
1	Customer K	2 years	Sales of earthmoving equipment	A private company incorporated in Hong Kong which is principally engaged in the trading of used heavy equipment business	6.5%	30 days	Bank transfer
2	Customer L	3 years	Sales of earthmoving equipment and spare parts and leasing of earthmoving equipment	A joint venture construction contractor established by two construction contractors for the provision of construction services	5.9%	30 days	By cheque
3	Customer M	5 years	Sales of earthmoving equipment and spare parts and leasing of earthmoving equipment	A private limited company mainly undertaking civil engineering works in Hong Kong	5.0%	Nil	Bank transfer
4	Customer N	4 years	Sales of earthmoving equipment and spare parts and leasing of earthmoving equipment	A subsidiary of a Hong Kong listed company which is principally engaged in civil engineering works in Hong Kong	4.0%	30 days	By cheque
5	Customer O	4 years	Sales of earthmoving equipment and spare parts	A subsidiary of a Hong Kong listed company which is principally engaged in the provision of foundation works in Hong Kong	3.9%	30 days	Bank transfer

For the nine months ended 30 April 2020

Rank	Customer	Approximate years of business relationship	Principal products/ services provided by the Group	Background information	Approximate percentage of total revenue	Credit period	Payment method
1	Customer P	1 year	Sales and leasing of heavy equipment	A joint venture construction contractor established by two construction contractors for the provision of construction services in Hong Kong	22.9%	30 days	By cheque
2	Customer Q	2 years	Sales of heavy equipment and spare parts	A private company incorporated in Hong Kong which is principally engaged in the trading of heavy equipment business	7.7%	Nil	Bank transfer
3	Customer T	0.5 years	Sales of heavy equipment and spare parts	A private company incorporated in Hong Kong which is principally engaged in civil engineering works in Hong Kong	6.1%	30 days	By cheque
4	Customer S	1 year	Leasing of earthmoving equipment	A private company incorporated in Hong Kong mainly undertaking civil engineering works in Hong Kong	5.1%	30 days	By cheque
5	Customer R	4 years	Sales and leasing of earthmoving equipment	A private company incorporated in Hong Kong which is principally engaged in the trading of heavy equipment business	4.3%	30 days	By cheque

None of the Directors or their close associates or any Shareholder who owns more than 5% of the issued share capital of the Company has, to the best knowledge of the Directors, any interest in any of the top five customers of the Group during the three years ended 31 July 2019 and the nine months ended 30 April 2020.

The Directors confirm that, based on information up to the Latest Practicable Date, notwithstanding the outbreak of COVID-19, the Group is able to discharge its obligations under all its existing sales contracts because the Group executes all its sales in Hong Kong and the transportation of sold or leased heavy equipment within Hong Kong has remained normal. The Group does not need to ship any heavy equipment overseas.

Suppliers

The Group sources its products from various sources. For new earthmoving equipment, they are sourced from third-party manufacturers including through dealerships or distributorships and from the OEM and ODM supplier of the Group. Used earthmoving equipment is sourced from auctions, manufacturers and used machinery traders.

The following table sets out a breakdown of the Group's purchases by sources of supply for the three years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020:

	Year ended 31 July						Nine months ended 30 April			
	2017		2018		**2019**		2019		**2020**	
	Purchases	Contribution to total purchases	Purchases	Contribution to total purchases	**Purchases**	**Contribution to total purchases**	Purchases	Contribution to total purchases	**Purchases**	**Contribution to total purchases**
	HK$'000	*%*	*HK$'000*	*%*	***HK$'000***	***%***	*HK$'000* *(Unaudited)*	*%*	***HK$'000*** ***(Unaudited)***	***%***
Dealership and distributorship	121,938	44.3	189,939	33.4	**285,708**	**54.1**	180,987	48.7	**207,334**	**69.8**
OEM and ODM Supplier	461	0.2	1,036	0.2	**587**	**0.1**	513	0.1	**151**	**0.1**
Overseas auctions	15,842	5.8	28,128	5.0	**31,868**	**6.0**	31,868	8.6	**20,131**	**6.7**
Earthmoving equipment traders and others	136,824	49.7	348,462	61.4	**209,739**	**39.8**	158,342	42.6	**69,463**	**23.4**
Total	275,065	100.0	567,565	100.0	**527,902**	**100.0**	371,710	100.0	**297,079**	**100.0**

Dealership and distributorship with heavy equipment manufacturers

The key suppliers of the Group are heavy equipment manufacturers with headquarters located in Japan, Canada, Korea, the PRC, the United States, Switzerland and South Africa. The purchases from the heavy equipment manufacturers amounted to approximately HK$121.9 million, HK$189.9 million, HK$285.7 million and HK$207.3 million for the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020, respectively, which were approximately 44.3%, 33.4%, 54.1% and 69.8% of the total purchases of the Group for the respective periods. As at the Latest Practicable Date, the subsisting dealerships or distributorships of the Group include:

Brand	**Grantor**	**Location of headquarters of the grantor**	**Right granted**	**Geographical coverage**	**Term**	**Main products**	**Minimum purchase commitment in 2020**	**Year of entering into the first dealership/ distributorship agreement**	**Approximate year(s) of business relationship**
Hitachi	Hitachi Construction Machinery Co., Ltd. ("**Hitachi Japan**", together with its subsidiaries, the "**Hitachi Japan Group**") *(Note)*	Japan	Dealership	Hong Kong and Macau	From 1 October 2017 to 31 December 2020	Heavy vehicles and genuine spare parts	65 units of heavy vehicles and US$1.4 million of spare parts	January 2018 *(Note 1)*	14 years
Airman	Hokuetsu Industries Co., Ltd.	Japan	Distributorship	Hong Kong and Macau	From 1 October 2017 to 31 July 2023 *(Note 2)*	Power and energy equipment	More than 60 units	October 2017	3 years
Rotobec	Rotobec Inc	Canada	Dealership	Hong Kong and Macau	From 15 November 2018 to 1 January 2022	Earthmoving attachments and various metal recycle equipment	Nil	November 2018	5 years
Ramfos	Tyfos Inc.	Korea	Exclusive distributorship	Hong Kong, Macau and certain provinces in the PRC	From 31 October 2019 to 30 October 2020	Earthmoving attachments and genuine spare parts	US$0.5 million	November 2011	9 years
Zhenzhong	Wenzhou Zhenzhong Foundation Engineering Machinery Technology Co., Ltd. (溫州振中基礎工程機械科技有限公司) *(Note 3)*	The PRC	Exclusive dealership	Hong Kong and Macau	From 1 November 2019 to 31 October 2021	Foundation equipment	Nil	November 2019	Less than 1 year

Brand	Grantor	Location of headquarters of the grantor	Right granted	Geographical coverage	Term	Main products	Minimum purchase commitment in 2020	Year of entering into the first dealership/ distributorship agreement	Approximate year(s) of business relationship
Labounty	The Stanley Works (Shanghai) Co., Ltd	The United States	Distributorship	Hong Kong	From 1 January 2020 to 31 December 2020	Earthmoving attachments and genuine spare parts	Nil	February 2006	14 years
Ammann	Ammann BauAusrüstung AG	Switzerland	Exclusive dealership	Hong Kong and Macau	From 1 September 2016 to the date of termination of the agreement (no fixed term)	Heavy vehicles and genuine spare parts	Nil	September 2016	4 years
Bell	Bell Equipment Company SA (Pty) Ltd	South Africa	Distributorship	Hong Kong	From 6 August 2019 to 5 August 2024	Heavy vehicles and genuine spare parts	Nil	August 2019	1 year

Note 1: The Group entered into its first dealership agreement in 2012 with Hitachi Construction Machinery (Shanghai) Co., Ltd, a subsidiary of Hitachi Japan ("**Hitachi Shanghai**"). The Group has since then renewed its dealership agreement with Hitachi Shanghai uninterruptedly in 2013, 2014, 2015 and 2016. In 2017, as Hitachi Japan desired to sell its products directly to the Group, the dealership agreement with Hitachi Shanghai was terminated on 30 September 2017 and a dealership agreement with Hitachi Japan with retroactive effect from 1 October 2017 was entered into on 19 January 2018. Subsequently an amendment agreement to the dealership agreement was entered into on 23 October 2019 (collectively, the "**Hitachi Japan Dealership Agreement**"). Pursuant to the Hitachi Japan Dealership Agreement, the term of the dealership commenced on 1 October 2017 and will end on 31 December 2020. As of the date of this announcement, Hitachi Shanghai and the Group have entered into a sale of spare parts agreement, under which the Group may order various spare parts from Hitachi Shanghai subject to the terms and conditions therein.

Note 2: The term (from 1 October 2017 to 31 July 2020) shall be extended for a period of 3 years to 31 July 2023 unless there is a different declaration of intention made before 60 days of its expiration. As of the date of this announcement, there has been no such declaration of intention.

Note 3: The English name is for reference only.

For all the dealerships or distributorships set out above, the business relationships between the grantors and the Group have been uninterrupted since the commencement of the first dealership or distributorship agreements (except in the case of the Hitachi brand, which was only because of a change in the contracting party from Hitachi Shanghai to Hitachi Japan).

Dealership with Hitachi Japan

The largest supplier of the Group during the year ended 31 July 2019 and the nine months ended 30 April 2020, Hitachi Japan, is an internationally renowned and leading manufacturer of heavy equipment. The Group's business relationship with Hitachi Japan began when the Group purchased from one of its group companies in November 2006. The grant of dealership by Hitachi Japan or its group company to the Group has been uninterrupted since 2012.

As at the Latest Practicable Date, the Group has been the sole dealer for Hitachi Japan's new heavy equipment in Hong Kong and Macau. The supply of products from Hitachi Japan or its group company has remained stable and uninterrupted since the grant of dealership in 2012. The Directors confirm that the Group has been the sole dealer of new heavy equipment of Hitachi brand in Hong Kong and Macau since 2014. The Directors believe that the Group's stable relationship with their group was due to the Group's reputation in the heavy equipment industry and extensive knowledge and experience of the technical skills and the local market which help to introduce and entrench the brand of Hitachi within the industry.

The Directors do not expect the Group's business relationship with Hitachi Japan to terminate or have material adverse change based on two factors:

(i) the Group's business relationship with Hitachi Japan is mutually beneficial, as the Group is the sole dealer of Hitachi Japan's new heavy equipment in Hong Kong and Macau as at the Latest Practicable Date. The Directors believe that through the effort of the Group in cultivating relationships with customers to promote Hitachi brands in Hong Kong and Macau in the past, the Group gained recognition from heavy equipment users within the industry as the dealer of new heavy equipment of Hitachi brand, which allows Hitachi Japan to rely on the Group for its business activities in Hong Kong and Macau. The Directors consider that it would be difficult for any heavy equipment supplier to identify a dealer which would have, or would be able to replicate such knowledge and experience of the technical skills and the local market comparable to that of the Group in Hong Kong within a short period of time, and

(ii) the Group developed a strategic and strong business relationship with Hitachi Japan and its group. It has been approximately 14 years since the Group and Hitachi Japan began their business relationship in 2006 and approximately eight years since the Group entered into the first dealership agreement in 2012 with Hitachi Shanghai. The term of current Hitachi Japan Dealership Agreement is approximately three years, which will continue to be effective until December 2020 in accordance with its terms. The Group has continued to maintain close business relationship with Hitachi group, for instance, the Directors and senior management of Hitachi Japan visit each other from time to time to discuss on the prevailing market conditions, the industry trend and the popularity of products. Given the long standing and amicable relationship with Hitachi Japan and its group company, the Directors are not aware of any major obstacles in renewing the agreement with Hitachi Japan.

OEM and ODM supplier

The Group engaged an Italy-based manufacturer to design and manufacture its own TLMC brand earthmoving equipment on an OEM and ODM basis. The purchases from the OEM and ODM supplier of the Group were approximately HK$0.5 million, HK$1.0 million, HK$0.6 million and HK$0.2 million for each of the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020, respectively.

Overseas auctions

The purchases from auction were approximately HK$15.8 million, HK$28.1 million, HK$31.9 million and HK$20.1 million for each of the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020, respectively, which were approximately 5.8%, 5.0%, 6.0% and 6.7% of the total purchases of the Group for the respective periods.

Earthmoving equipment traders and others

The Group purchased from used earthmoving equipment traders and others mainly including companies engaged in trading and/or construction, in Hong Kong and overseas from time to time. The purchases from these suppliers were approximately HK$136.8 million, HK$348.5 million, HK$209.7 million and HK$69.5 million for each of the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020, respectively, which were approximately 49.7%, 61.4%, 39.8% and 23.4% of the total purchases of the Group for the respective periods.

The Group procured new heavy earthmoving equipment primarily under the dealership and distributorship with heavy equipment manufacturers, while the Group procured used heavy earthmoving equipment primarily from traders and auctions. Purchases from dealership and distributorship with heavy equipment manufacturers increased from HK$121.9 million for the year ended 31 July 2017 to HK$285.7 million for the year ended 31 July 2019, and increased from HK$181.0 million for the nine months ended 30 April 2019 to HK$207.3 million for the nine months ended 30 April 2020, was mainly due to the increase in market demand of new heavy vehicles arising from the commencement of various infrastructure, reclamation and tunnel projects in Hong Kong as described in the above section headed "Sales of heavy equipment and spare parts".

Purchase from the Group's top five suppliers for the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020 amounted to approximately HK$165.5 million, HK$258.1 million, HK$347.2 million and HK$218.7 million, representing approximately 60.1%, 45.5%, 65.8% and 73.6% of the total purchase of the Group, respectively. Purchase from the largest supplier of the Group for the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020 amounted to approximately HK$66.2 million, HK$137.4 million, HK$239.7 million and HK$104.6 million, representing approximately 24.1%, 24.2%, 45.4% and 35.2% of the total purchase of the Group, respectively.

The following tables set out the brief particulars of the top five suppliers for the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020:

For the year ended 31 July 2017

Rank	Supplier	Approximate years of business relationship	Background information	Approximate percentage of total purchases of the Group	Credit period	Payment method	A party to the Group's dealership or distributorship agreement during the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020
1	Hitachi Shanghai [Note]	14 years	Heavy equipment manufacturer	24.1%	Nil for equipment; 40-70 days for spare parts	Telegraphic transfer or import loans	Yes
2	Supplier A	3 years	Power and energy equipment exporter	17.4%	Nil	Telegraphic transfer or import loans	Yes
3	Supplier B [Note]	14 years	Heavy equipment trader	10.4%	Nil	Telegraphic transfer or import loans	No
4	Supplier C	4 years	Earthmoving equipment trader	4.2%	Nil	By cheque	No
5	Supplier D	14 years	Earthmoving equipment trader	4.0%	Nil	Telegraphic transfer or import loans	No

For the year ended 31 July 2018

Rank	Supplier	Approximate years of business relationship	Background information	Approximate percentage of total purchases of the Group	Credit period	Payment method	A party to the Group's dealership or distributorship agreement during the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020
1	Hitachi Japan *Note*	14 years	New heavy equipment manufacturer	24.2%	Nil	Telegraphic transfer or import loans	Yes
2	Supplier B *Note*	14 years	Used heavy equipment trader	7.0%	Nil	Telegraphic transfer or import loans	No
3	Supplier D	14 years	Earthmoving equipment trader	5.6%	Nil	Telegraphic transfer or import loans	No
4	Supplier E	3 years	Earthmoving equipment trader	4.5%	Nil	Telegraphic transfer or import loans	No
5	Supplier F	13 years	Earthmoving equipment trader	4.2%	Nil	Telegraphic transfer or import loans	No

For the year ended 31 July 2019

Rank	Supplier	Approximate years of business relationship	Background information	Approximate percentage of total purchases of the Group	Credit period	Payment method	A party to the Group's dealership or distributorship agreement during the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020
1	Hitachi Japan *Note*	14 years	Heavy equipment manufacturer	45.4%	Nil	Telegraphic transfer or import loans	Yes
2	Supplier B *Note*	14 years	Heavy equipment trader	7.6%	Nil	Telegraphic transfer or import loans	No
3	Supplier G	5 years	Earthmoving equipment trader	4.8%	Nil	By cheque	No
4	Supplier A	3 years	Power and energy equipment exporter	4.5%	Nil	Telegraphic transfer or import loans	Yes
5	Supplier H	2 years	Heavy equipment trader	3.5%	Nil	Telegraphic transfer or import loans	No

For the nine months ended 30 April 2020

Rank	Supplier	Approximate years of business relationship	Background information	Approximate percentage of total purchases of the Group	Credit period	Payment method	A party to the Group's dealership or distributorship agreement during the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020
1	Hitachi Japan [Note]	14 years	Heavy equipment manufacturer	35.2%	Nil	Telegraphic transfer or import loans	Yes
2	Bell Equipment Company SA (Pty) Ltd	1 year	Heavy equipment manufacturer based in South Africa	28.2%	Nil	Telegraphic transfer or import loans	Yes
3	Supplier K	5 years	Heavy equipment trader	3.8%	Nil	Telegraphic transfer	No
4	Supplier L	3 years	A subsidiary of a Hong Kong listed company which is engaged in foundation works in Hong Kong	3.3%	Nil	By cheque	No
5	Supplier B [Note]	14 years	Heavy equipment trader	3.1%	Nil	Telegraphic transfer or import loans	No

Note: Hitachi Shanghai and Supplier B are subsidiaries of Hitachi Japan. The total purchase of the Group from the Hitachi Japan Group amounted to approximately HK$102.4 million, HK$199.6 million, HK$301.4 million and HK$117.0 million representing approximately 37.2%, 35.2%, 57.1% and 39.4% of the total purchases of the Group for each of the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020, respectively. The Group has been regarding its suppliers which are member companies of the Hitachi Japan Group as individual suppliers because each of these member companies (i) are supplying different category of products to the Group; (ii) are separate legal entities; and (iii) individually negotiates and transacts with the Group. For illustration purpose, the next major supplier of the Group (which is not a member of the Hitachi Japan Group) following the major suppliers already set out above (in terms of purchase amount) is a supplier incorporated in Japan ("**Supplier I**") for the year ended 31 July 2017, a supplier incorporated in the United Kingdom ("**Supplier J**") for each of the years ended 31 July 2018 and 2019 and a supplier located in the Japan ("**Supplier A**") for the nine months ended 30 April 2020. For the year ended 31 July 2017, the purchases of the Group from Supplier I represented approximately 3.6% of the total purchases of the Group. For each of the years ended 31 July 2018 and 2019, the purchases of the Group from Supplier J represented approximately 3.9% and 2.9% of the total purchases of the Group, respectively. For the nine months ended 30 April 2020, the purchases of the Group from Supplier A represented approximately 2.7% of the total purchases of the Group. Supplier I and Supplier J are heavy equipment traders. The Group has established approximately 4 years and 3 years of business relationship with Supplier I and Supplier J, respectively. The purchases from Supplier I, Supplier J and Supplier A have no credit period and are settled by telegraphic transfer or import loans.

None of the Directors or their close associates or any Shareholder who owns more than 5% of the issued share capital of the Company has, to the best knowledge of the Directors, any interest in any of the top five suppliers of the Group during the three years ended 31 July 2019 and the nine months ended 30 April 2020.

During the three years ended 31 July 2019 and the nine months ended 30 April 2020 and up to the Latest Practicable Date, the Group has not encountered any supply chain disruption. In addition, the Directors believe that, based on information up to the Latest Practicable Date, the outbreak of COVID-19 would not result in a material disruption to the Group's supply chain as the shipments of the procurement from its major suppliers to Hong Kong have remained normal.

Overlapping roles of certain customers and suppliers

To meet market demand for new and used heavy equipment, the Group, like other market players, procures used heavy equipment of well-recognised brands for its business from time to time. As such, during the three years ended 31 July 2019 and the nine months ended 30 April 2020, the Group has on some occasions procured used heavy equipment from certain customers of the Group and sold heavy equipment to certain suppliers of the Group.

Except for Customer A, Customer B, Customer C, Customer H, Customer M (also as Supplier G), Customer N, Customer Q and Customer R (also as Supplier C), none of the aforementioned major customers were suppliers of the Group during the three years ended 31 July 2019 and the nine months ended 30 April 2020. The details are set out below:

- for the three years ended 31 July 2019 and the nine months ended 30 April 2020, Customer A, Customer B, Customer C, Customer H, Customer M, Customer N, Customer Q and Customer R sold to the Group used heavy equipment which amounted to approximately HK$5.9 million, HK$8.7 million, HK$0.5 million, HK$8.8 million, HK$29.0 million, HK$60,000, HK$1.9 million and HK$34.5 million, respectively, which were approximately 0.4%, 0.5%, 0.1%, 0.5%, 1.7%, 0.1%, 0.1% and 2.1% of the Group's total purchase cost; and

- for the three years ended 31 July 2019 and the nine months ended 30 April 2020, the revenue generated from Customer A, Customer B, Customer C, Customer H, Customer M, Customer N, Customer Q and Customer R was approximately HK$19.4 million, HK$29.2 million, HK$18.0 million, HK$50.5 million, HK$43.7 million, HK$51.9 million, HK$52.1 million and HK$43.0 million, respectively, which were approximately 1.0%, 1.5%, 0.9%, 2.6%, 2.3% 2.7%, 2.7% and 2.2% of the Group's total revenue.

Except for Supplier C (also as Customer R), Supplier G (also as Customer M), Supplier L and Supplier K, none of the aforementioned major suppliers were customers of the Group during the three years ended 31 July 2019 and the nine months ended 30 April 2020, details of which are set out below:

- for the three years ended 31 July 2019 and the nine months ended 30 April 2020, the revenue generated from Supplier L and Supplier K was approximately HK$17.9 million and HK$3.3 million, respectively, representing approximately 0.9% and 0.2% of the Group's total revenue, while Supplier L and Supplier K sold to the Group used heavy equipment which amounted to approximately HK$9.9 million and HK$26.9 million, respectively, representing approximately 0.6% and 1.6% of the Group's total purchase cost.

In addition, during the three years ended 31 July 2019 and the nine months ended 30 April 2020, the Group had instances where the same heavy equipment (the "**Transacted Equipment**") was sold to and subsequently acquired from overlapping customers/ suppliers ("**Sold then Bought**"), or was acquired from and subsequently sold to overlapping customers/suppliers ("**Bought then Sold**"). The total sold amount and total purchased amount of equipment which were Sold then Bought was approximately HK$57.4 million and approximately HK$44.2 million, respectively. The total purchased amount and total sold amount of equipment which were Bought then Sold was approximately HK$1.7 million and approximately HK$1.9 million, respectively.

The direct cost margin (i.e. total gain, being total sold amount less total purchased amount, divided by total sold amount) (i) was approximately 23.0% for the transactions which the Group had Sold then Bought the Transacted Equipment; and (ii) was approximately 8.9% for the transactions which the Group had Bought then Sold the Transacted Equipment. For each of the years ended 31 July 2017, 2018 and 2019 and for the nine months ended 30 April 2020, the direct cost margin for the overall sales of heavy equipment by the Group to all of its customers was approximately 19.7%, 15.8%, 13.6% and 15.4%, respectively. The direct cost margin of the transactions which the Group had Sold then Bought the Transacted Equipment was higher than the overall direct cost margin of the Group because, in general, the Transacted Equipment sold to the overlapping customers/suppliers would be used by such overlapping customers/suppliers at construction sites and the condition of the Transacted Equipment would be worsened, therefore the repurchase cost offered by the Group would be lower, resulting in a high margin. The direct cost margin of the transactions which the Group had Bought then Sold the Transacted Equipment was lower than the overall direct cost margin of the Group because two of the four transactions involved the purchase of unpopular second-hand items (as further elaborated below) from two Japanese companies and the Group had difficulties finding buyers for these items at more favourable prices in the market.

The Directors confirmed that the reasons for the transactions which the Group had Sold then Bought the Transacted Equipment included (i) in the case of the overlapping customers/suppliers who are construction contractors, the contractors may sell their used equipment procured from the Group after the completion of the project to the second-hand market, including selling to the Group; and (ii) in the case of the overlapping customers/suppliers who are traders, they may sell their stock on hand to the Group, depending on their financial position and their views on market trends, prices and demand of such stock. At the time of the purchasing, the Directors, after taking into account of the then market situation (including the inquiry from other customers which had sudden urgent needs) and the price offered by such overlapping customers/suppliers, considered that the profits can be made from the re-sale and/or leasing of the Transacted Equipment and hence the Group entered into the transaction to purchase them. The Directors confirmed that Sold then Bought and Bought then Sold transactions are industry common practices.

The Directors considered that the reasons for the transactions which the Group had Bought then Sold the Transacted Equipment included that, (i) similar to the Group, the overlapping customers/suppliers may consider that profits can be made from the re-sale of the Transacted Equipment due to the then market situation (including the inquiry from their other customers which had sudden urgent needs); or (ii) after purchasing from heavy equipment trader or auctioneer, there was a lack of market interest in the Transacted Equipment and the Group sold the Transacted Equipment back to the heavy equipment trader or auctioneer to avoid further loss for unpopular inventory.

Save as the aforesaid, there were no other instances during the three years ended 31 July 2019 and the nine months ended 30 April 2020 where the same heavy equipment was sold to/acquired by the Group was subsequently acquired by/sold to the same overlapping customers/suppliers.

The Directors also confirm that there are no unusual benefits to the Group or the overlapping customers/suppliers (including those overlapping customers/suppliers with sale and purchase taken place over the Transacted Equipment), and that the profit and loss derived from the sale and purchase of the relevant heavy equipment are arm's length transactions.

The Group's transactions with overlapping customers and suppliers were conducted on a case by case basis and the sales and purchases were not inter-conditional with each other. The Directors confirm that, during the three years ended 31 July 2019 and the nine months ended 30 April 2020, the salient terms (such as payment terms, credit periods and delivery arrangement) of the transactions with these customers and suppliers are similar to those comparable transactions with the Group's other customers and suppliers, which the Directors consider are on normal commercial terms, i.e. terms no less favourable to the Group than terms available to or from independent third parties or terms which a party could obtain if the transaction were on an arm's length basis.

Legal compliance, licences and permits

The Directors confirm that the Group has obtained all necessary licences, approvals and permits from the relevant governmental authorities for its business operations in Hong Kong, and that during the three years ended 31 July 2019 and the nine months ended 30 April 2020 and as at the date of this announcement, the Group had complied in all material respects with all applicable laws, rules and regulations in Hong Kong.

Litigation and potential claims

As at the date of this announcement, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and the Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against the Group that would have a material or adverse effect on the results of operations or financial condition of the Group.

Impact of the outbreak of COVID-19

The cash balance of the Group was approximately HK$33.1 million as at 30 April 2020, and the average fixed costs was approximately HK$3.6 million per month based on the fixed expenses including administrative expenses, wages, rental expenses and interest expenses for the nine months ended 30 April 2020. In the worst case scenario where the Group's operation is suspended from 30 April 2020, the cash balance of the Group allows it to remain financially viable for approximately eight to nine months after taking into account (i) the aforesaid average fixed costs that the Group expected to pay on a monthly basis; (ii) the expected amount of trade receivables (net of allowance of doubtful debt and past due but not impaired as at 30 April 2020) under the historical settlement pattern and policy of the Group; (iii) all the trade payables as at 30 April 2020 to be immediately settled; and (iv) the settlement of the outstanding bank borrowings in accordance with their due dates. As the average inventory turnover days of the Group was approximately 171 days for the nine months ended 30 April 2020, in the worst case scenario where the procurement of the Group is suspended, the inventory level is expected to be able to last for approximately five to six months.

The Group has adopted the below hygiene measures to minimise risks of transmission and infection:

- employees are provided with face masks and alcohol-based hand sanitizers;

- employees are recommended to wear face masks and wash their hands frequently at work;

- employees are required to perform compulsory temperature check twice a day;

- if an employee develops a fever or any respiratory discomfort or otherwise exhibits symptoms of COVID-19, he/she is advised to seek medical attention and take a leave of absence until such time as he/she has recovered;

- if an employee has recently visited China or other countries or has contact with a confirmed case of COVID-19 infection, he/she is advised to notify the Company and the head of his/her department and self-quarantine for 14 days; and

- visitors to the Group's premises shall (i) have their temperature taken; (ii) provide information on their health status and whether they have visited any areas affected by COVID-19; and (iii) be provided face masks which shall be worn on site.

RECENT DEVELOPMENT AND BUSINESS OUTLOOK

The Directors confirm that subsequent to 31 July 2019 and up to the date of this announcement, there is no unfavourable trend or development which may have a material adverse impact on the Group's business and financial performance. During the nine months ended 30 April 2020, there was a severe outbreak of COVID-19. Under the circumstances, one of the leasing customers of the Group suspended its construction work for an infrastructure project in Hong Kong for two weeks in February 2020, following the incident where one of its office workers was diagnosed with COVID-19. The leasing of the Group's heavy equipment to this leasing customer was suspended during the two-week period. According to the leasing terms agreed between the Group and this leasing customer, leasing fees were primarily charged on monthly basis. Having considered the exceptional circumstance and the business relationship with this leasing customer, the Group agreed to, on a one-off basis, partly waive the leasing customer its monthly fee in proportion to the number of days where operation was suspended. There were 13 units of the Group's heavy equipment involved in the suspension, and the leasing fee of the equipment which would have been received by the Company for the two-week period amounted to approximately HK$0.3 million in total. The Directors confirmed such suspension has not materially and adversely affected the business operation and financial performance of the Group. Save for the aforesaid, no other existing contracts of the Group were affected by the outbreak. In addition, the Directors do not expect to encounter any material suspension as the outbreak of COVID-19 is relatively contained in Hong Kong.

During the year ended 31 July 2019, the Group entered into agreements for dealership or distributorship of two new brands of heavy equipment, namely Rotobec and Bell, allowing the Group to achieve diversification of its supplier base. In addition, benefited from the listing of shares of the Company on GEM, the Group obtained new funds to enrich its resources for its operational expansion. Since Listing, the Group had entered into new tenancy agreements for parcels of land and office premises from Independent Third Parties to expand its office, workshop and/or warehouse facility. As such, more heavy equipment could be kept as ready stock for sale or for leasing to satisfy the needs of earthmoving equipment users and more staff members can be accommodated.

With the expansion of the scale of operation, the Group has continued to serve customers, who relied on both its products and services, in notable public or private projects in Hong Kong, including:

- Liantang Heung Yuen Wai Boundary Control Point Project (the entire project is expected to complete in 2022);

- Shatin to Central Link project (the entire project is expected to complete in 2021 to 2022);

- Hong Kong International Airport Three Runway System Project (the entire project is expected to complete in 2024);

- Tung Chung New Town Extension (the entire project is expected to complete in 2024);

- Tseung Kwan O – Lam Tin Tunnel (the entire project is expected to complete in 2021 to 2022);

- Tuen Mun – Chek Lap Kok Link Northern Connection Sub-sea Tunnel Section (the entire project is expected to complete in 2020); and

- Central Kowloon Route (the entire project is expected to complete in 2027).

Subsequent to 30 April 2020 and up to the Latest Practicable Date, the Group received 107 purchase orders of approximately HK$117.7 million for heavy equipment and entered into 195 agreements for leasing of the Group's heavy equipment with its customers, with aggregate contract value of approximately HK$20.4 million. As at the Latest Practicable Date, the contracted value of the Company's signed leasing agreements to be recognised amounted to approximately HK$60.9 million, of which approximately HK$59.9 million were the remaining contracted value of its leasing agreements which had commenced as at the Latest Practicable Date, and approximately HK$1.0 million were the contracted value of its leasing agreements which had not yet commenced as at the Latest Practicable Date.

As the development of the COVID-19 outbreak remains highly unpredictable, the extent of its impact on the economy of Hong Kong is subject to much uncertainties. The industry which the Group operates in may be directly or indirectly affected. Nonetheless, given the number of the planned infrastructure projects and the stringency of the environmental regulatory regime implemented in Hong Kong, and in the even longer term, the government's "Lantau Tomorrow Vision" and the "Hong Kong 2030" plans which proposed large-scale land reclamations and public infrastructure, the Directors are of the view that there remains a growth momentum for the heavy equipment sales and leasing markets in Hong Kong, and hence the outlook and the prospects remain positive for the business of the Group.

Going forward, the Directors will continue to diversify its supplier base and product offering so as to boost its competitive edge in the long run. In particular, in view of the potential numbers of reclamation work and projects, which generally involve more complex earthmoving operation, the Directors intend to procure more dealership or distributorship under which specialised earthmoving equipment will be supplied.

MATERIAL RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

There are certain risks involved in the Company's operations and such risk may be beyond the Company's control, which include but are not limited to the following risks:

The business operations of the Group rely heavily on dealerships and distributorships granted by heavy equipment manufacturers

The majority of the Group's revenue was generated from the sales of heavy equipment and spare parts, and a substantial part of the revenue generated from sales was from selling new heavy equipment and spare parts under dealership and distributorship agreements. For each of the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020, the total revenue under all the dealership and distributorship agreements of the Group amounted to approximately HK$81.9 million, HK$164.5 million, HK$247.2 million and HK$210.4 million, representing approximately 28.0%, 27.4%, 43.2% and 44.3% of the Group's total revenue, respectively. In particular, Hitachi equipment has been the brand of products sold most during each of the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020. The revenue from the sales of Hitachi products sourced under dealership was approximately HK$75.4 million, HK$124.9 million, HK$210.4 million and HK$106.5 million for each of the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020, respectively, which was equivalent to approximately 25.8%, 20.8%, 36.8% and 22.4% of the Group's total revenue for the respective periods.

Although the Group has been the sole dealer of new heavy equipment of Hitachi brand in Hong Kong and Macau as at the date of this announcement, the dealership agreement with Hitachi Japan is non-exclusive in nature. The appointment of any additional dealers of heavy equipment of Hitachi brand in the same markets may intensify the competition, which may adversely affect the profitability and the financial performance of the Group.

As at the date of this announcement, the Group has entered into a number of dealership or distributorship agreements with heavy equipment manufacturers as disclosed in the paragraph headed "Suppliers – Heavy equipment manufacturers" above. If any of these heavy equipment manufacturers terminate the agreement, or, at the expiry of the agreement, elect not to renew or not to renew such agreement under the same or better terms, it may take time for the Group to identify and negotiate with other heavy equipment manufacturers to conclude similar dealership and distributorship. In such circumstances, the results of operations, financial condition and growth prospects of the Group could be materially and adversely affected.

Impairment of trade and lease receivables may adversely affect the profitability and cash flow of the Group

The Group generally grants its customers a credit period of 30 to 90 days after the issue of invoices. As at 31 July 2017, 31 July 2018, 31 July 2019 and 30 April 2020, the Group's recorded trade and lease receivables amounted to approximately HK$47.1 million, HK$96.2 million, HK$93.0 million and HK$161.6 million respectively, and the Group's allowance for doubtful debts amounted to approximately HK$3.6 million, HK$2.8 million, HK$3.5 million and HK$4.2 million respectively.

There is no assurance that the Group's customers will settle invoices on time and in full. If the financial position of any of the Group's customers deteriorates, the risk of default on their payments to the Group will increase. For each of the three years ended 31 July 2019 and the nine months ended 30 April 2020, the Group's average trade receivables turnover days were 53 days, 42 days, 58 days and 71 days respectively. The average trade receivables turnover days of the Group during the three years ended 31 July 2019 and the nine months ended 30 April 2020 were generally in line with credit period of the Group granted to its customers. Any difficulty in collecting a substantial portion of the Group's trade receivables could materially and adversely affect the Group's profitability, working capital and cash flow.

The Group depends on suppliers for products to sell and to lease, and it may face shortage or delay in supply, or deterioration in the quality of such products

The Group relies on its suppliers for stable and timely delivery of heavy equipment and spare parts. For each of the years ended 31 July 2017, 2018 and 2019 and the nine months ended 30 April 2020, the total purchase costs of heavy equipment and spare parts of the Group amounted to approximately HK$275.1 million, HK$567.6 million, HK$527.9 million and HK$297.1 million, respectively. If there is any shortage of heavy equipment and spare parts, or material delay in delivery of the same by the suppliers, the Group may fail to supply the required products to its customers on time or at all. As a result, the Group may breach the terms of the contracts or agreements with its customers. In case of prolonged shortage of product supply or any deterioration in the quality of heavy equipment and spare parts from the suppliers, the Group may not be able to identify suitable alternatives of supply in a timely manner. In such event, the business reputation and financial results of the Group may be adversely affected.

The Group is exposed to risk of inventories obsolescence

As at 31 July 2017, 31 July 2018, 31 July 2019 and 30 April 2020, the Group's inventories amounted to approximately HK$128.5 million, HK$199.1 million, HK$186.7 million and HK$184.8 million, respectively. The inventory control of the Group is based on the expected level of market demand from time to time. The Group aims to have an efficient management and control of its inventory and stock by maintaining a reasonable level of inventory as well as diverse models of heavy equipment and spare parts to timely respond to market demand. As at 31 July 2017, 31 July 2018, 31 July 2019 and 30 April 2020, allowance for inventories amounted to approximately nil, HK$1.4 million, HK$1.1 million and HK$0.9 million, respectively. The allowance for inventories is made based on the aging and estimated net realisable value of inventories and the net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense.

The Group manages its inventory level based on forecasted demands according to, among others, its industry experience, previous dealing records, market evaluations and management. There is no assurance that the market demand will be the same as the expectation. If there is sudden and significant change in relation to economic conditions, industry cycles, competitors' actions or market demand which is beyond the Group's control and the Group overstocks its inventory, it may not be able to maintain the utilisation rate of its heavy equipment at an appropriate level and, in the long run, certain inventories may become obsolete due to market preference. Any failure to maintain a reasonable level of inventory may cause the Group to forgo turnover, thus adversely affecting its reputation, results of operations and financial condition.

Delay in the commencement of public projects due to the economic, political and social conditions in Hong Kong may adversely affect the business and result of operations of the Group

A number of customers of the Group were contractors and subcontractors that were engaged in different public projects in Hong Kong to which heavy equipment was supplied. Any delay in the commencement of public projects may adversely affect the demand for the Group's heavy equipment. In the past few years, there had been delay for commencement of certain public projects due to a number of reasons, including political filibustering by the committees of the Legislative Council of Hong Kong and cancellation of council meetings by the Legislative Council of Hong Kong, which resulted in the delay in the approval of the funding for public projects. As the operation of the Group is located in Hong Kong, any change in the political condition may affect the economy in Hong Kong, which may in turn adversely and materially affect the operations, operating results and financial condition of the Group.

In addition, during the recent months, there has been social unrest in Hong Kong causing some disruptions to certain economic activities in the city. Nonetheless, as at the Latest Practicable Date, the Hong Kong government has not mentioned any withdrawal or material change to its proposed infrastructure projects and the Directors do not consider that the recent social unrest in Hong Kong has any material adverse impact on the Group's business and operations. However, if such social unrest continues to evolve into large-scale social disruption which lasts for an unusually long period of time and/or result in the withdrawal or material change in the planned public projects, the overall business and operating results of the Group may be adversely and materially affected.

Interruptions caused by health epidemics may adversely affect the business and result of operations of the Group

The commencement and progress of projects in which the customers of the Group operate may be interrupted by health epidemics such as COVID-19. Any reschedule of or delay in projects which the Group's products and services are relied on may adversely affect the demand for the Group's products and services and result in a deferral or even loss of anticipated revenue. In addition, as the heavy equipment suppliers of the Group are located in different regions of the globe, any outbreak of health epidemics in the regions they operate in may lead to the disruption of the supply of heavy equipment as their production and delivery of products may be interrupted.

Since the outbreak of COVID-19 in December 2019, although the major infrastructure projects of Hong Kong government are still in progress, certain construction projects in the market have been suspended, which was primarily because two large scale developers and the Urban Renewal Authority of Hong Kong had temporarily suspended their construction projects for two weeks during the first quarter of 2020 following the outbreak of COVID-19. If the outbreak of such health epidemic does not subside or is not brought under control, or other health epidemics such as H1N1, avian influenza, Severe Acute Respiratory Syndrome, Ebola, or Middle East Respiratory Syndrome or new health epidemics occur or re-occur, the business planning and result of operations of the Group may be adversely affected.

The Group derives its revenue substantially in Hong Kong and any downturn in the Hong Kong economy could have a material adverse effect on its business and operating results

The business of the Group is based in Hong Kong and the majority of its customers operate in Hong Kong. The performance and the growth of the business of the Group are necessarily dependent on the overall economy in Hong Kong. In addition, the Hong Kong economy depends in part upon the economic performance of the United States and the PRC, as well as other developed countries. There can be no assurance that future global events, including the Sino-US trade war, will not have an impact on the Hong Kong economy and the Group. Any economic downturn or recession in Hong Kong could lead to decline in demand for the products and services of the Group and the overall business and operating results of the Group may be adversely and materially affected.

The Group's insurance coverage may be inadequate to protect it from all potential claims and loss

The Group faces potential claims arising from its employees or third parties. Such claims may include personal injury, death or property damage resulting from the use of the heavy equipment it leases, sells or repairs and from injuries caused in accidents in which its employees are involved and other employee related matters.

The Group also faces the risk of loss or damage to its heavy equipment due to fire, flood, theft or other kinds of accidents in the day-to-day operations. The Group maintains certain insurance for potential loss and claims arising from its operation, but the insurance it maintains may not cover certain kinds of loss or may not be sufficient to cover all of its potential loss and claims. If the Group faces any loss that is not covered by its insurance policies, or the compensated amount under its insurance policy is significantly less than its actual loss or is not timely compensated, the business, financial condition and results of operations of the Group may be materially and adversely affected.

As the business of the Group is capital intensive, failure to manage its liquidity and cash flows or inability to obtain additional financing in the future may materially and adversely affect its business, results of operations and financial condition

The business of the Group is capital intensive in nature. It requires a significant amount of capital for the expenditures on the purchase of heavy equipment, spare parts and other heavy equipment-related products. As at 31 July 2017, 2018 and 2019 and 30 April 2020, the carrying amount of ready stock of heavy equipment amounted to approximately HK$103.0 million, HK$170.7 million, HK$155.7 million and HK$141.9 million, respectively. The Group has relied on its internal cash, cash generated from its operations as well as occasional external financings such as bank financing to fund its operations and expansion. There can be no assurance that the Group's internal cash, the cash flow generated by its operations and its current bank financing will be sufficient to fund its future operations and expansion plans. If the Group is unable to obtain further external financing in a timely manner and at a reasonable cost, the implementation of its expansion plans may be disrupted or delayed, thereby the competitive position and growth prospects of the Group may be adversely affected.

The business performance of the Group is affected by its customers' preference between purchasing or leasing new or used equipment

The composition of market demand for new and used heavy equipment as well as the customers' purchase or leasing needs may change. The respective profit margins for sale and leasing of new and used heavy equipment vary, therefore the business performance and profitability of the Group may be adversely affected if its customers' preference will result in a lower profit margin. In such circumstances, the operating results, financial condition and growth prospects of the Group may be adversely and materially affected.

The Group may experience weak liquidity as it had recorded negative cash flow from its operating activities in the past

The Group recorded negative operating cash flow of approximately HK$62.2 million, approximately HK$110.7 million for the years ended 31 July 2017 and 2018, respectively. Operating cash outflow for the year ended 31 July 2017 was primarily the result of (i) increase in inventories of approximately HK$52.0 million; (ii) increase in prepayments, deposits and other receivables of approximately HK$22.4 million; (iii) increase in other payables and accruals of approximately HK$3.3 million; and (iv) income tax paid of approximately HK$10.1 million. Operating cash outflow for the year ended 31 July 2018 was largely due to (i) increase in trade receivables of approximately HK$51.5 million; (ii) increase in inventories of approximately HK$83.5 million; and (iii) increase in prepayments, deposits and other receivables of approximately HK$64.2 million.

There is no assurance that the Group will not record negative operating cash flow in the future. The liquidity and financial condition of the Group may be materially and adversely affected should the Group become unable to generate sufficient cash flow for its operations or otherwise unable to obtain sufficient funds to finance its business. There is no assurance that the Group will have sufficient cash from other sources to fund its operations. If the Group resorts to other financing activities to generate additional cash, it will incur additional financing costs, and the Group cannot guarantee that it will be able to obtain the financing on terms acceptable to it, or at all at the relevant time, which in turn may adversely affect the Group's business and financial positions.

FINANCIAL PERFORMANCE OF THE GROUP

The following table sets forth the audited consolidated statement of profit or loss and other comprehensive income of the Group for the three years ended 31 July 2019 and the unaudited consolidated financial results of the Group for the nine months ended 30 April 2019 and 2020:

	Year ended 31 July			Nine months ended 30 April	
	2017	2018	**2019**	2019	**2020**
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***
				(Unaudited)	***(Unaudited)***
Revenue	292,793	599,819	**572,049**	403,347	**475,103**
Cost of revenue	(245,727)	(508,642)	**(491,659)**	(346,111)	**(395,285)**
Gross profit	47,066	91,177	**80,390**	57,236	**79,818**
Other income and net gains	1,004	1,972	**1,284**	854	**2,531**
Allowance for trade receivables	–	–	**(667)**	–	**(709)**
Administrative and other operating expenses	(29,989)	(24,316)	**(30,303)**	(20,208)	**(27,655)**
Profit from operations	18,081	68,833	**50,704**	37,882	**53,985**
Finance costs	(1,248)	(2,540)	**(3,929)**	(2,926)	**(4,896)**
Profit before tax	16,833	66,293	**46,775**	34,956	**49,089**
Income tax expense	(4,732)	(11,346)	**(8,224)**	(5,829)	**(8,436)**
Profit and total comprehensive income for the period attributable to owners of the Company	12,101	54,947	**38,551**	29,127	**40,653**
	HK cent	*HK cent*	***HK cent***	*HK cent*	***HK cent***
Earnings per share					
– Basic and diluted earnings per share	1.61	5.49	**3.86**	2.91	**4.07**

The profit attributable to owners of the Company for the year ended 31 July 2019 was approximately HK$38.6 million as compared to that of approximately HK$54.9 million recorded for the year ended 31 July 2018. The decline was primarily attributable to the decrease in revenue and gross profit margin of the sales of used heavy vehicles. Please refer to the sections headed "Revenue" and "Gross profit and gross profit margin" below for further details.

Adoption of new and revised accounting policies

The audited consolidated financial statements for the years ended 31 July 2017, 2018 and 2019 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The new accounting standards HKFRS 9 "*Financial Instruments*" and HKFRS 15 "*Revenue from contracts with customers*" are first effective for the annual periods beginning on or after 1 August 2018 and adopted by the Group in the financial year ended 31 July 2019 and HKFRS 16 "*Leases*" has also adopted for the annual periods beginning on or after 1 August 2019.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 August 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 August 2018. The difference between carrying amounts as at 31 July 2018 and the carrying amounts as at 1 August 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

From 1 August 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group had assessed the effects of adoption of HKFRS 9 on its financial statements and it considered the adoption did not have a significant impact on the Group's financial position and performance when compared to that of HKAS 39.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations. The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies on revenue recognition.

Revenue from sales of products

Under HKFRS 15, revenue from the sales of products is recognised at a point in time when control of the products has transferred to customer, which generally coincides with the time when the goods picked up by logistics company designated by customer or the Group arrange for logistic company on behalf of customer at their own risk and costs or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from provision of maintenance and ancillary services

Under HKFRS 15, revenue from the provision of maintenance and ancillary services would continue recognise at a point in time when services rendered, and the Group has present right to payment and the collection of the consideration is probable.

The Group had assessed the effects of adoption of HKFRS 15 on its financial statements and it considered the adoption did not have a significant impact on its financial position and performance when compared to that of HKAS 18.

HKFRS 16 "*Leases*"

HKFRS 16 replaces HKAS 17 *Leases* and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low-value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

HKFRS 16 affects primarily the accounting for the Group's operating leases. The Group's property leases are classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term for the year ended 31 July 2019. Under HKFRS 16, the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As at 1 August 2019, the Group recognised additional right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. The Group has recognised lease liabilities of approximately HK$4,570,000 and right-of-use assets of approximately HK$4,570,000 at 1 August 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied was 4.85% per annum.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not have a material impact on the financial performance of the Group from 2020 onwards.

Revenue

The following table sets out a breakdown of the Group's revenue by business segments for the respective year/period:

	Year ended 31 July						Nine months ended 30 April			
	2017		2018		**2019**		2019		**2020**	
	Revenue	Contribution to total revenue	Revenue	Contribution to total revenue	**Revenue**	**Contribution to total revenue**	Revenue	Contribution to total revenue	**Revenue**	**Contribution to total revenue**
	HK$'000	*%*	*HK$'000*	*%*	***HK$'000***	***%***	*HK$'000* (Unaudited)	*%*	***HK$'000* (Unaudited)**	***%***
Sales of heavy equipment and spare parts	274,999	93.9	546,903	91.2	**501,954**	**87.8**	357,144	88.5	**351,337**	**73.9**
Leasing of heavy equipment	14,010	4.8	47,383	7.9	**65,846**	**11.5**	43,130	10.7	**120,046**	**25.3**
Maintenance and ancillary services	3,784	1.3	5,533	0.9	**4,249**	**0.7**	3,073	0.8	**3,720**	**0.8**
Total	292,793	100.0	599,819	100.0	**572,049**	**100.0**	403,347	100.0	**475,103**	**100.0**

The total revenue of the Group recorded a substantial increase from approximately HK$292.8 million for the year ended 31 July 2017 to approximately HK$599.8 million for the year ended 31 July 2018. Such increase was mainly due to the increase in the sale of heavy equipment and spare parts and leasing segments.

The Group recorded a moderate decrease in its revenue from approximately HK$599.8 million for the year ended 31 July 2018 to approximately HK$572.0 million for the year ended 31 July 2019. The decrease was attributable to the decrease in the sale of heavy equipment and spare parts and the decrease in the income from the provision of maintenance and ancillary services, but was partially offset by the increase in the revenue generated from the leasing segment.

The Group's revenue increased from approximately HK$403.3 million for the nine months ended 30 April 2019 to approximately HK$475.1 million for the nine months ended 30 April 2020. The increase was mainly driven by the increase in revenue from leasing of heavy equipment of approximately HK$76.9 million.

Sales of heavy equipment and spare parts

The Group generated a majority of its revenue from its sales business, in which a substantial portion of its revenue was derived from the sales of heavy vehicles. The following table sets out the Group's revenue from the sub-segment of sales of heavy equipment and spare parts for the three years ended 31 July 2019 and the nine months ended 30 April 2019 and 2020:

	Year ended 31 July			Nine months ended 30 April	
	2017	2018	**2019**	2019	**2020**
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***
				(Unaudited)	***(Unaudited)***
Earthmoving equipment					
Heavy vehicles					
– New	83,851	134,904	**239,078**	166,820	**202,196**
– Used	147,003	336,197	**202,048**	143,298	**106,910**
Earthmoving attachment	5,980	5,656	**7,019**	5,134	**2,690**
Sub-total	236,834	476,757	**448,145**	315,252	**311,796**
Other heavy equipment	15,577	40,178	**33,642**	27,418	**25,398**
Spare parts	22,588	29,968	**20,167**	14,474	**14,143**
Total	274,999	546,903	**501,954**	357,144	**351,337**

The revenue from the sales of heavy equipment and spare parts for the year ended 31 July 2018 increased by approximately 98.9% as compared to that for the year ended 31 July 2017. Such increase was mainly attributable to the significant increase in sales of heavy vehicles. Due to the strong market demand during the year ended 31 July 2018, the sales volume of new heavy vehicles increased to 136 units from 86 units recorded for the year ended 31 July 2017 while sales volume of used heavy vehicles increased to 519 units from 275 units recorded for the year ended 31 July 2017. The sales of other heavy equipment, notably power and energy equipment, also increased substantially by approximately 157.9% for the year ended 31 July 2018 as compared to the year ended 31 July 2017.

The revenue from the sales of heavy equipment and spare parts for the year ended 31 July 2019 decreased by approximately 8.2% as compared to that for the year ended 31 July 2018. Such decrease was mainly attributable to the slight decrease in sales of heavy vehicles of 6.4% and the decrease in sales of other heavy equipment. The revenue from the sales of heavy equipment and spare parts for the nine months ended 30 April 2020 decreased by approximately 1.6% as compared to that for the nine months ended 30 April 2019. Such decrease was mainly attributable to the decrease in sales of used heavy vehicles and the decrease in sales of earthmoving attachment. For the year ended 31 July 2019 and nine months ended 30 April 2020, although the Group recorded a decrease in sales of used heavy vehicles due to a slowdown of market demand for used heavy vehicles in view of the global economic downturn at the time, the sales of new heavy equipment for the year ended 31 July 2019 increased substantially by approximately 61.6% as compared to the year ended 31 July 2018, and increased by approximately 8.4% for the nine months ended 30 April 2020 as compared to same period last year as a result of the strong market demand arising from the commencement and progress of various infrastructure, reclamation and tunnel projects in Hong Kong. As prior funding approvals of such infrastructure, reclamation and tunnel projects have been obtained from the Legislative Council of Hong Kong or the Airport Authority Hong Kong, and customers of the Group were in the course of executing the relevant contracts awarded by the government or the Airport Authority Hong Kong by carrying out the work thereunder, hence requiring the purchase of new heavy vehicles of the Group, the demand for new heavy vehicles for such projects overwhelm the impact from the global economic downturn.

Leasing of heavy equipment

The table below sets out the revenue of the Group generated from leasing of heavy vehicles, earthmoving attachment and other heavy equipment:

	Year ended 31 July									Nine months ended 30 April					
	2017			2018			**2019**			2019			**2020**		
	Revenue	Contribution to total revenue	Number of equipment leased	Revenue	Contribution to total revenue	Number of equipment leased	**Revenue**	**Contribution to total revenue**	**Number of equipment leased**	Revenue	Contribution to total revenue	Number of equipment leased	**Revenue**	**Contribution to total revenue**	**Number of equipment leased**
	HK$'000	*%*	*Unit*	*HK$'000*	*%*	*Unit*	***HK$'000***	***%***	***Unit***	*HK$'000* (Unaudited)	*%*	*Unit*	***HK$'000*** **(Unaudited)**	***%***	***Unit***
Earthmoving equipment															
Heavy vehicles	12,475	4.3	92	39,022	6.5	182	**54,968**	**9.6**	**240**	35,164	8.7	170	**110,694**	**23.3**	**279**
Earthmoving attachment	46	–	19	276	0.1	28	**321**	**0.1**	**33**	227	0.1	26	**377**	**0.1**	**41**
Sub-total	12,521	4.3	111	39,298	6.6	210	**55,289**	**9.7**	**273**	35,391	8.8	196	**111,071**	**23.4**	**320**
Other heavy equipment	1,489	0.5	45	8,085	1.3	147	**10,557**	**1.8**	**161**	7,739	1.9	143	**8,975**	**1.9**	**177**
Total	14,010	4.8	156	47,383	7.9	357	**65,846**	**11.5**	**434**	43,130	10.7	339	**120,046**	**25.3**	**497**

The revenue from leasing of heavy equipment recorded continuous increase during the three years ended 31 July 2019. The revenue from leasing of heavy equipment increased by approximately 238.6% from approximately HK$14.0 million for the year ended 31 July 2017 to approximately HK$47.4 million for the year ended 31 July 2018, and further increased by approximately 38.8% to approximately HK$65.8 million for the year ended 31 July 2019. The revenue from leasing of heavy equipment increased by approximately 178.4% from approximately HK$43.1 million for the nine months ended 30 April 2019 to approximately HK$120.0 million for the nine months ended 30 April 2020. The substantial increase in revenue was mainly attributable to the expansion of the leasing business of the Group and the strong market demand in the heavy vehicles and power and energy equipment arising from the commencement of various infrastructure, reclamation and tunnel projects in Hong Kong.

The leasing of heavy vehicles contributed substantially to the revenue of the leasing business segment. Revenue generated from leasing of heavy vehicles contributed approximately HK$12.5 million, HK$39.0 million, HK$55.0 million, and HK$110.7 million, or approximately 89.0%, 82.4%, 83.5% and 92.2% of the revenue generated from the leasing business segment for each of the years ended 31 July 2017, 2018 and 2019, and the nine months ended 30 April 2020 respectively.

Revenues generated from leasing of other heavy equipment, including power and energy equipment, increased significantly during the three years ended 31 July 2019, amounting to approximately HK$1.4 million, HK$8.1 million and HK$10.5 million for each of the years ended 31 July 2017, 2018 and 2019, and also increased by approximately 16.9% from approximately HK$7.7 million for the nine months ended 30 April 2019 to approximately HK$9.0 million for the nine months ended 30 April 2020 respectively. Revenue generated from leasing of earthmoving attachment amounted to approximately HK$46,000, HK$276,000, HK$321,000 and HK$377,000 for the years ended 31 July 2017, 2018 and 2019, and the nine months ended 30 April 2020 respectively.

Maintenance and ancillary services

The revenue from maintenance and ancillary services mainly involves income from provision of maintenance and repair services to the customers of the Group. For the years ended 31 July 2017, 2018 and 2019, and the nine months ended 30 April 2020 revenue from provision of maintenance and ancillary services contributed approximately HK$3.8 million, HK$5.5 million, HK$4.2 million and HK$3.7 million or approximately 1.3%, 0.9%, 0.7% and 0.8% of the total revenue of the Group, respectively.

Cost of revenue

The following table sets out the Group's cost of revenue for the respective year/period:

	Year ended 31 July			Nine months ended 30 April	
	2017	2018	**2019**	2019	**2020**
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***
				(Unaudited)	***(Unaudited)***
Cost of heavy equipment and spare parts					
Heavy vehicles					
– New	70,345	114,699	**205,664**	146,162	**170,150**
– Used	117,716	284,180	**173,943**	123,134	**90,133**
	188,061	398,879	**379,607**	269,296	**260,283**
Earthmoving attachment	4,362	4,339	**4,880**	3,621	**2,257**
Other heavy equipment	12,037	35,877	**30,412**	25,285	**22,842**
Spare parts	18,596	22,226	**17,000**	11,048	**11,818**
	223,056	461,321	**431,899**	309,250	**297,200**
Allowance/(reversal of allowance) for inventories, net	–	1,391	**(184)**	(372)	**179**
Impairment of property, plant and equipment	–	–	**659**	–	**177**
Declaration	37	77	**35**	30	**18**
Depreciation	2,844	10,060	**20,073**	11,816	**23,053**
Freight and transportation	4,941	9,995	**8,188**	5,788	**9,009**
Repairs and maintenance	8,259	9,629	**9,718**	6,631	**10,647**
Staff costs	6,323	15,494	**17,599**	11,400	**48,866**
Sub-leasing fee	267	675	**3,672**	1,568	**6,136**
Total	245,727	508,642	**491,659**	346,111	**395,285**

The Group's cost of revenue mainly comprised cost of heavy equipment and spare parts, depreciation, freight and transportation costs, repairs and maintenance costs, staff costs for operators and technicians and sub-leasing fee.

Comparison of the year ended 31 July 2017 and the year ended 31 July 2018

The Group's cost of revenue amounted to approximately HK$508.6 million for the year ended 31 July 2018, representing an increase of approximately 107.0% as compared to that for the year ended 31 July 2017. The increase was mainly attributable to the increase of approximately 106.8% in the cost of heavy equipment and spare parts, which was generally increased in line with revenue from sales of heavy equipment and spare parts of approximately 98.9% for the year ended 31 July 2018. Depreciation increased by approximately 253.7% for the year ended 31 July 2018. Such increase was mainly due to the increase in the number of heavy equipment leased out during the year ended 31 July 2018 from 156 units for the year ended 31 July 2017 to 357 units for the year ended 31 July 2018. Freight and transportation expenses increased by approximately 102.3% for the year ended 31 July 2018 mainly due to the increase in import of machineries from overseas suppliers. Repairs and maintenance costs increased by approximately 16.6% for the year ended 31 July 2018 mainly due to the increase in expenses for repairs and maintenance services for used heavy vehicles. Staff costs increased by approximately 145.0% for the year ended 31 July 2018, such increase was mainly attributable to the increase in staff costs for operators by approximately 226.1% as a result of the increase in the number of operators. Such increase was in line with the increase in revenue for leasing of heavy equipment. For the sales segment, staff costs of technicians and inspectors increased by approximately 72.0% mainly due to the increase in average headcount of the technical and maintenance team during the year ended 31 July 2018.

Comparison of the year ended 31 July 2018 and the year ended 31 July 2019

The Group's cost of revenue amounted to approximately HK$491.7 million for the year ended 31 July 2019, representing a decrease of approximately 3.3% as compared to that for the year ended 31 July 2018. The decrease was mainly driven by the decrease in revenue from sales of heavy equipment and spare parts for the year ended 31 July 2019. Depreciation increased by approximately 99.5% for the year ended 31 July 2019, which was mainly due to the increase in the number of heavy equipment leased out during the year ended 31 July 2019. Staff costs increased by approximately 13.6% for the year ended 31 July 2019, which was mainly attributable to the increase in staff costs for operators. In addition, the sub-leasing fee increased by approximately 444.0% for the year ended 31 July 2019. Such increase was mainly attributable to unexpected demand from customers for the leasing of heavy vehicles which the Group had no such types of heavy vehicles on hand at the time of leasing. For the sales segment, staff costs of technicians and inspectors increased by approximately 18.6%. It is mainly due to the increase in average headcount of the technical and maintenance team during the year ended 31 July 2019. Freight and transportation expenses decreased by approximately 18.1% for the year ended 31 July 2019. The decrease is mainly due to the decrease in import of machineries from overseas suppliers. Repairs and maintenance costs remained stable for the year ended 31 July 2019.

Comparison of the nine months ended 30 April 2019 and the nine months ended 30 April 2020

The Group's cost of revenue amounted to approximately HK$395.3 million for the nine months ended 30 April 2020, representing an increase of approximately 14.2% as compared to that for the nine months ended 30 April 2019. The increase was mainly driven by the increase in leasing business for the nine months ended 30 April 2020. Depreciation increased by approximately 95.1% for the nine months ended 30 April 2020, which was mainly due to the increase in the number of heavy equipment leased out during the nine months ended 30 April 2020. Staff costs increased by approximately 328.6% for the nine months ended 30 April 2020, which was mainly attributable to the increase in staff costs for operators. For the sales segment, staff costs of technicians and inspectors increased by approximately 4.3%. It is mainly due to the increase in average headcount of the technical and maintenance team during the nine months ended 30 April 2020. In addition, the sub-leasing fee increased by approximately 291.3% for the nine months ended 30 April 2020. Such increase was mainly attributable to unexpected demand from customers for the leasing of heavy vehicles which the Group had no such types of heavy vehicles on hand at the time of leasing. Freight and transportation expenses increased by approximately 55.6% for the nine months ended 30 April 2020. The increase is mainly due to the increase in import of machineries from overseas suppliers. Repairs and maintenance costs also increased by approximately 60.6% for the nine months ended 30 April 2020 in respect of the increase in costs for repairing and maintenance of leased machineries including articulated dump trucks.

Gross profit and gross profit margin

The following table sets out the Group's gross profit and gross profit margin by business segments for the three years ended 31 July 2019 and the nine months ended 30 April 2019 and 2020:

	Year ended 31 July						Nine months ended 30 April			
	2017		2018		**2019**		2019		**2020**	
	Gross profit *HK$'000*	Gross profit margin *%*	Gross profit *HK$'000*	Gross profit margin *%*	**Gross profit** ***HK$'000***	**Gross profit margin** ***%***	Gross profit *HK$'000* *(Unaudited)*	Gross profit margin *%*	**Gross profit** ***HK$'000*** ***(Unaudited)***	**Gross profit margin** ***%***
Sales of heavy equipment and spare parts										
Heavy vehicles										
– New	12,311	14.7	18,149	13.5	**30,400**	**12.7**	18,715	11.2	**23,927**	**11.8**
– Used	18,101	12.3	33,733	10.0	**12,371**	**6.1**	9,533	6.7	**6,749**	**6.3**
	30,412	13.2	51,882	11.0	**42,771**	**9.7**	28,248	9.1	**30,676**	**9.9**
Earthmoving attachment	1,163	19.4	1,177	20.8	**2,040**	**29.1**	1,419	27.6	**332**	**12.3**
Other heavy equipment	1,973	12.7	2,711	6.7	**2,786**	**8.3**	1,857	6.8	**1,165**	**4.6**
Spare parts	3,992	17.7	7,742	25.8	**2,889**	**14.3**	3,193	22.1	**964**	**6.8**
	37,540	13.7	63,512	11.6	**50,486**	**10.1**	34,717	9.7	**33,137**	**9.4**
Leasing of heavy equipment	8,270	59.0	26,027	54.9	**29,349**	**44.6**	22,078	51.2	**46,248**	**38.5**
Maintenance and ancillary services	1,256	33.2	1,638	29.6	**555**	**13.1**	441	14.4	**433**	**11.6**
Total	47,066	16.1	91,177	15.2	**80,390**	**14.1**	57,236	14.2	**79,818**	**16.8**

Comparison of the year ended 31 July 2017 and the year ended 31 July 2018

The Group's gross profit increased by approximately 93.6% from approximately HK$47.1 million for the year ended 31 July 2017 to approximately HK$91.2 million for the year ended 31 July 2018, whereas the gross profit margin decreased from approximately 16.1% for the year ended 31 July 2017 to approximately 15.2% for the year ended 31 July 2018.

The increase in gross profit was mainly due to the increase in gross profit for sales of heavy equipment and spare parts by approximately HK$26.0 million and increase in gross profit from leasing of heavy equipment by approximately HK$17.8 million. The gross profit margin of the sales segment decreased from approximately 13.7% for the year ended 31 July 2017 to approximately 11.6% for the year ended 31 July 2018 mainly attributable to the increase in sales proportion of used heavy vehicles with relatively lower profit margin in the year ended 31 July 2018. The gross profit margins of the sales of new heavy vehicles for the year ended 31 July 2018 decreased as compared with that for the year ended 31 July 2017 mainly because of pricing strategy in response to the market competition from other brands, of which the Group sold at thinner margins to obtain greater market share. The gross profit margin for sales of used heavy vehicles for the year ended 31 July 2018 decreased as compared with that for the year ended 31 July 2017 mainly because of (i) market competition, where the Group sold vehicles with relatively larger operating weight at thinner margins to obtain greater market share; and (ii) the increase in proportion of sales of vehicles of relatively smaller operating weight, which generally have lower margins than those of larger operating weight. The gross profit margin from the leasing segment decreased from approximately 59.0% for the year ended 31 July 2017 to approximately 54.9% for the year ended 31 July 2018 mainly due to the marketing strategy with aim of offering more attractive terms to certain lessees in order to maximize the use of the expanded leasing fleet of the Group.

Comparison of the year ended 31 July 2018 and the year ended 31 July 2019

The Group's gross profit decreased from approximately HK$91.2 million for the year ended 31 July 2018 to approximately HK$80.4 million for the year ended 31 July 2019, whereas the gross profit margin decreased from approximately 15.2% for the year ended 31 July 2018 to approximately 14.1% for the year ended 31 July 2019. The decrease in gross profit of the sales of heavy equipment and spare parts was partially offset by the increase in gross profit from leasing of heavy equipment by approximately HK$3.3 million.

The gross profit margin of the sales segment decreased from approximately 11.6% for the year ended 31 July 2018 to approximately 10.1% for the year ended 31 July 2019, which was mainly attributable to the decrease in gross profit margin of used heavy vehicles for the year ended 31 July 2019. Notwithstanding the strong demand from customers who opted for new heavy vehicles for use in ongoing public projects, the Group sold its new heavy vehicles of medium to large size with relatively lower gross profit margin due to the market competition from new heavy vehicles from other brands of similar size. Moreover, given the relatively stronger market demand for new heavy vehicles than used heavy vehicles, the Group reduced the inventory level of used heavy vehicles by lowering their unit price so as to make more storage space for new heavy vehicles in order to capture the then market demand from its customers. The gross profit margin of the leasing segment decreased from approximately 54.9% for the year ended 31 July 2018 to approximately 44.6% for the year ended 31 July 2019. Such decrease was mainly the result of the marketing strategy with aim of offering more attractive terms to certain lessees in order to maximize the use of the expanded leasing fleet of the Group.

Comparison of the nine months ended 30 April 2019 and the nine months ended 30 April 2020

The Group's gross profit increased by approximately 39.5% from approximately HK$57.2 million for the nine months ended 30 April 2019 to approximately HK$79.8 million for the nine months ended 30 April 2020, with gross profit margin at approximately 16.8% for the nine months ended 30 April 2020 as compared with that of approximately 14.2% for the nine months ended 30 April 2019. The increases in gross profit and gross profit margin were mainly attributable to the increase in gross profit of the leasing business by approximately HK$24.2 million for the nine months ended 30 April 2020. The gross profit of the sales of heavy equipment and spare parts decreased by approximately HK$1.6 million and the gross profit of the provision of maintenance and ancillary services remained stable for the nine months ended 30 April 2020.

The gross profit margin for sales of new heavy vehicles for the nine months ended 30 April 2020 increased as compared with that for the nine months ended 30 April 2019 mainly due to the different sales mix of new heavy vehicles.

The gross profit margin for sales of used heavy vehicles for the nine months ended 30 April 2020 decreased as compared with that for the nine months ended 30 April 2019 mainly attributable to the relatively thin margin in sales of stock of used heavy vehicles as the demand decreased.

The gross profit margin for sales of earthmoving attachment for the nine months ended 30 April 2020 decreased as compared with that for the nine months ended 30 April 2019 mainly because of the reduction in sales of relatively larger tonnage earthmoving attachment and grapples, which generally have higher profit margin.

The gross profit margin for sales of other heavy equipment for the nine months ended 30 April 2020 decreased as compared with that for the nine months ended 30 April 2019. The decrease is mainly attributable to the different composition of products sold during the nine months ended 30 April 2020.

The gross profit margin for sales of spare parts for the nine months ended 30 April 2020 decreased as compared with that for the nine months ended 30 April 2019. The decrease was mainly attributable to different sales mix of spare parts in respect of demand from customers, in particular, sales of spare parts with relatively lower gross profit margin increased.

The gross profit margin for leasing segment decreased from approximately 51.2% for the nine months ended 30 April 2019 to approximately 38.5% for the nine months ended 30 April 2020. The decrease is mainly due to the increase in proportion of leasing on wet hire basis and additional staff costs incurred for longer operating hours per day of the Group's leased heavy vehicles as required by its customers.

Other income

The table below sets out the details of the Group's other income and net gains during the respective year/period:

	Year ended 31 July			Nine months ended 30 April	
	2017	2018	**2019**	2019	**2020**
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***
				(Unaudited)	***(Unaudited)***
Compensation income from suppliers	109	295	**616**	62	**446**
Net gain on disposals of property, plant and equipment	28	233	**520**	520	**315**
Foreign exchange gain, net	–	–	**–**	112	**1,577**
Interest income	16	129	**3**	2	**1**
Reversal of allowance for trade receivables	680	810	**–**	–	**–**
Freight rebates	–	450	**–**	–	**–**
Others	171	55	**145**	158	**192**
Total	1,004	1,972	**1,284**	854	**2,531**

Comparison of the year ended 31 July 2017 and the year ended 31 July 2018

The Group's other income increased by approximately 100.0% from approximately HK$1.0 million for the year ended 31 July 2017 to approximately HK$2.0 million for the year ended 31 July 2018, which was mainly due to the receipt of freight rebates of approximately HK$0.5 million during the year ended 31 July 2018.

Comparison of the year ended 31 July 2018 and the year ended 31 July 2019

The Group's other income decreased by approximately 35.0% from approximately HK$2.0 million for the year ended 31 July 2018 to approximately HK$1.3 million for the year ended 31 July 2019, which was mainly due to the absence of reversal of allowance for trade receivables for the year ended 31 July 2019.

Comparison of the nine months ended 30 April 2019 and the nine months ended 30 April 2020

The Group recognised other incomes of approximately HK$0.9 million and approximately HK$2.5 million for the nine months ended 30 April 2019 and 2020, respectively. The increase was mainly due to the increase in net foreign exchange gain of approximately HK$1.5 million for the nine months ended 30 April 2020.

Administrative and other operating expenses

Comparison of the year ended 31 July 2017 and the year ended 31 July 2018

The Group's administrative and other operating expenses decreased by approximately 19.0% from approximately HK$30.0 million for the year ended 31 July 2017 to approximately HK$24.3 million for the year ended 31 July 2018. The decrease in administrative and other operating expenses was mainly attributable to the decrease in the non-recurring listing expenses of approximately HK$9.5 million from approximately HK$10.7 million for the year ended 31 July 2017 to approximately HK$1.2 million for the year ended 31 July 2018 and exchange loss of approximately HK$1.8 million, which were partially offset by the increase in staff costs (including Directors' emoluments) of approximately HK$2.1 million, legal and professional fees of approximately HK$1.1 million, donation of approximately HK$0.6 million and insurance expenses of approximately HK$0.6 million.

Comparison of the year ended 31 July 2018 and the year ended 31 July 2019

The Group's administrative and other operating expenses increased by approximately 24.7% from approximately HK$24.3 million for the year ended 31 July 2018 to approximately HK$30.3 million for the year ended 31 July 2019. The increase in administrative and other operating expenses was mainly attributable to the increases in depreciation of approximately HK$0.5 million, exchange loss of approximately HK$0.6 million, operating lease charges of approximately HK$1.0 million, staff costs (including Directors' emoluments but excluding quarters' expenses) of approximately HK$1.4 million, as a result of the expansion of office and workshop and the increase in number of operators and sales staff. The Group's professional fee in relation to the Transfer of Listing increased by HK$0.8 million or 66.7% from approximately HK$1.2 million for the year ended 31 July 2018 to approximately HK$2.0 million for the year ended 31 July 2019.

Comparison of the nine months ended 30 April 2019 and the nine months ended 30 April 2020

The administrative expenses increased by approximately HK$7.5 million or approximately 37.1% from approximately HK$20.2 million for the nine months ended 30 April 2019 to approximately HK$27.7 million for the nine months ended 30 April 2020. The increase in administrative expenses was mainly attributable to the non-recurring legal and professional fees for the Transfer of Listing of approximately HK$2.0 million, and the increase in the depreciation of approximately HK$2.4 million and staff costs (including Directors' remuneration) of approximately HK$2.8 million.

Finance costs

Comparison of the year ended 31 July 2017 and the year ended 31 July 2018

The Group's finance costs represented interest expenses on bank borrowings and interest expenses on obligation under finance lease of a motor vehicle. The increase in finance costs was mainly attributable to the increase in interest expenses on bank borrowings, which was in line with the increase in bank borrowings for the year ended 31 July 2018 as compared to that for the year ended 31 July 2017.

Comparison of the year ended 31 July 2018 and the year ended 31 July 2019

The Group's finance costs represented interest expenses on bank borrowings and interest expenses on obligation under finance lease of a motor vehicle. The increase in finance costs was in line with the increase in the amount of bank borrowings during the year ended 31 July 2019 as compared to that for the year ended 31 July 2018.

Comparison of the nine months ended 30 April 2019 and the nine months ended 30 April 2020

The finance costs increased by approximately HK$2.0 million or approximately 69.0% from approximately HK$2.9 million for the nine months ended 30 April 2019 to approximately HK$4.9 million for the nine months ended 30 April 2020. The increase was in line with the increase in average bank borrowings for the nine months ended 30 April 2020 as compared to those of the same period in 2019.

Income tax expenses

Comparison of the year ended 31 July 2017 and the year ended 31 July 2018

In line with the increase in taxable profits, the Group's income tax expenses increased to approximately HK$11.3 million for the year ended 31 July 2018 from approximately HK$4.7 million for the year ended 31 July 2017.

Comparison of the year ended 31 July 2018 and the year ended 31 July 2019

The Group's income tax expenses decreased by approximately HK$3.1 million for the year ended 31 July 2019 compared with that for the year ended 31 July 2018 and such decrease was in line with the decrease in profit before tax.

Comparison of the nine months ended 30 April 2019 and the nine months ended 30 April 2020

The income tax expense increased by approximately HK$2.6 million or approximately 44.7% for the nine months ended 30 April 2020 compared with the same period in 2019 and such increase was in line with the increase in profit before tax.

Profit attributable to owners of the Company

Comparison of the year ended 31 July 2017 and the year ended 31 July 2018

The profit attributable to owners of the Company increased by approximately HK$42.8 million, from approximately HK$12.1 million for the year ended 31 July 2017 to approximately HK$54.9 million for the year ended 31 July 2018. The Group's net profit margin increased to approximately 9.2% for the year ended 31 July 2018 as compared to approximately 4.1% for the year ended 31 July 2017. The increase in profit attributable to owners of the Company was primarily attributable to the increase in revenue of the Group, which was mainly driven by the improvement in the sales of both new and used heavy vehicles as aforementioned.

Comparison of the year ended 31 July 2018 and the year ended 31 July 2019

The profit attributable to owners of the Company for the year ended 31 July 2019 was approximately HK$38.6 million as compared to that of approximately HK$54.9 million recorded for the year ended 31 July 2018. The Group's net profit margin decreased to approximately 6.7% as compared to approximately 9.2% for the year ended 31 July 2018. The decrease in profit attributable to owners of the Company was primarily attributable to the decrease in revenue and gross profit margin of the sales of used heavy vehicles as aforementioned.

Comparison of the nine months ended 30 April 2019 and the nine months ended 30 April 2020

The profit attributable to owners of the Company for the period increased by approximately 39.9% from approximately HK$29.1 million for the nine months ended 30 April 2019 to approximately HK$40.7 million for the nine months ended 30 April 2020, whereas the net profit margin of the Group increased to approximately 8.6% for the nine months ended 30 April 2020 as compared to approximately 7.2% for the nine months ended 30 April 2019. The increase in profit attributable to owners of the Company was primarily attributable to the improvement in gross profit margin of the Group, which was mainly driven by the increase in gross profit from leasing of heavy equipment as aforementioned.

FINANCIAL POSITION OF THE GROUP

The following table sets out the Group's financial position as at 31 July 2017, 2018 and 2019 and 30 April 2020:

	As at 31 July			As at 30 April
	2017	2018	**2019**	**2020**
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***
				(Unaudited)
Non-current assets				
Property, plant and equipment	41,630	79,157	**168,509**	**148,046**
Right-of-use assets	–	–	**–**	**2,585**
Deposit paid for property, plant and equipment	–	–	**447**	**1,016**
	41,630	79,157	**168,956**	**151,647**
Current assets				
Inventories	128,515	199,070	**186,736**	**184,793**
Trade and lease receivables	43,511	93,427	**89,569**	**157,458**
Prepayments, deposits and other receivables	24,044	65,467	**31,306**	**7,901**
Pledged bank deposit	10,000	–	**–**	**–**
Bank and cash balances	116,222	45,253	**66,940**	**33,062**
	322,292	403,217	**374,551**	**383,214**
Current liabilities				
Trade payables	6,565	5,191	**8,505**	**3,588**
Other payables and accruals	5,018	4,645	**4,045**	**8,539**
Contract liabilities	3,234	18,021	**9,919**	**12,283**
Finance lease payables	356	30	**–**	**–**
Lease liabilities	–	–	**–**	**2,512**
Current tax liabilities	382	2,831	**3,180**	**5,964**
Deferred tax liabilities	6,217	–	**–**	**–**
Bank borrowings	64,985	109,229	**134,095**	**89,437**
	86,757	139,947	**159,744**	**122,323**
Net current assets	235,535	263,270	**214,807**	**260,891**
Total assets less current liabilities	277,165	342,427	**383,763**	**412,538**
Non-current liabilities				
Finance lease payables	30	–	**–**	**–**
Lease liabilities	–	–	**–**	**120**
Deferred tax liabilities	–	10,345	**18,130**	**21,132**
	30	10,345	**18,130**	**21,252**
Net assets	277,135	332,082	**365,633**	**391,286**
Capital and reserves				
Share capital	10,000	10,000	**10,000**	**10,000**
Reserves	267,135	322,082	**355,633**	**381,286**
Total equity	277,135	332,082	**365,633**	**391,286**

Property, plant and equipment

Property, plant and equipment mainly comprised leasehold land, machinery for lease, furniture and fixtures and motor vehicles.

The carrying amount of property, plant and equipment increased from approximately HK$41.6 million as at 31 July 2017 to approximately HK$79.2 million as at 31 July 2018. The increase was primarily due to the purchase of leasehold land, machinery for lease and motor vehicles during the year ended 31 July 2018. The carrying amount of property, plant and equipment as at 31 July 2019 and 30 April 2020 was approximately HK$168.5 million and HK$148.0 million, respectively. The decrease was primarily due to decrease in carrying value of machinery for lease by approximately HK$21.6 million as a result of the depreciation charge for machinery for lease of approximately HK$23.1 million for the nine months ended 30 April 2020.

The increase for the three years ended 31 July 2019 was primarily due to expansion of the leasing fleet from carrying value of approximately HK$64.1 million at 31 July 2018 to approximately HK$151.8 million at 31 July 2019. The number of units of leasing machineries and equipment increased from 73 units as at 31 July 2018 to 212 units as at 31 July 2019 while those of generators only increased slightly from 109 units as at 31 July 2018 to 139 units as at 31 July 2019. The number of units of leasing machineries and equipment decreased from 212 units as at 31 July 2019 to 187 units as at 30 April 2020 while the number of generators remained at 133 units as at 30 April 2020 compared with that of 139 units as at 31 July 2019.

The expansion of the leasing fleet allowed the Group to scale-up its leasing business through offering attractive terms to its leasing customers.

Inventories

The following table sets out the Group's inventories as at 31 July 2017, 2018 and 2019 and 30 April 2020:

		As at 31 July		**As at 30 April**
	2017	2018	**2019**	**2020**
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***
				(Unaudited)
Inventories	128,515	200,461	**187,797**	**185,715**
Allowance for inventories	–	(1,391)	**(1,061)**	**(922)**
	128,515	199,070	**186,736**	**184,793**

In light of the market demand for heavy vehicles, the Group stocked additional heavy vehicles of approximately HK$90.2 million as at 31 July 2018. Due to the expansion of the leasing business, the inventories kept for ready stock decreased slightly as at 31 July 2019 and remained relatively stable as at 30 April 2020.

The value of machineries is assessed based on the valuation by independent valuer as at each reporting periods. As to when equipment is considered to have impaired, this will be determined based on valuer's valuation, after which Company will calculate impairment based on book cost. Equipment is rarely written off as equipment can often be refitted for repeated use. There was a reversal in 2019 as certain equipment that was impaired in 2018 was later sold in 2019.

	As at 31 July			As at 30 April
	2017	2018	**2019**	**2020**
Average inventory turnover days	194	130	**163**	**171**

Note: Average inventory turnover days equal to the average inventory divided by cost of heavy equipment and spare parts and multiplied by 365 days for year ended 31 July 2017, 31 July 2018, 31 July 2019, and multiplied by 274 days for the nine months ended 30 April 2020. Average inventory are equal to inventory at the beginning of the year plus inventory at end of the year/ period and divided by two.

The average inventory turnover days decreased from 194 days for the year ended 31 July 2017 to 130 days for the year ended 31 July 2018 and increased to 163 days for the year ended 31 July 2019 and 171 days for the nine months ended 30 April 2020. The decrease in average inventory turnover days to 130 days for the year ended 31 July 2018 was a result of the increase in revenue together with the sales volume for the year ended 31 July 2018. The increase in average inventory turnover days to 163 days for the year ended 31 July 2019 was mainly attributable to higher inventory level due to the storage of additional heavy vehicles to cope with the increasing demand on various brands since 2018 as aforementioned. The average inventory turnover days for the nine months ended 30 April 2020 of 171 days remained stable as compared with that for the year ended 31 July 2019.

As at the Latest Practicable Date, approximately HK$97.5 million, or 52.8%, of the inventory balance of the Group as at 30 April 2020 has been utilised.

Trade and lease receivables

The following table sets out the Group's trade and lease receivables as at 31 July 2017, 2018 and 2019 and 30 April 2020:

	As at 31 July			As at 30 April
	2017	2018	**2019**	**2020**
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***
				(Unaudited)
Trade and lease receivables	47,105	96,211	**93,020**	**161,618**
Allowance for doubtful debt	(3,594)	(2,784)	**(3,451)**	**(4,160)**
	43,511	93,427	**89,569**	**157,458**

The Group's credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance or cash on delivery is normally required.

Trade and lease receivables represented receivables from the sales and leasing of heavy equipment and spare parts. The increase in trade and lease receivables of approximately HK$49.9 million from HK$43.5 million as at 31 July 2017 to HK$93.4 million as at 31 July 2018 was mainly the result of expansion of the sales and leasing business. The decrease in trade and lease receivables of approximately HK$3.8 million from HK$93.4 million as at 31 July 2018 to HK$89.6 million as at 31 July 2019 was attributable to the increasing effort made in requesting its customers to settle the receivables.

The increase in trade and lease receivables from approximately HK$89.6 million as at 31 July 2019 to HK$157.5 million as at 30 April 2020 was mainly attributable to (i) the increase in revenue for the nine months ended 30 April 2020 as compared with the corresponding period in the preceding year; and (ii) the sales of heavy vehicles in the third quarter of this financial year, which had not been settled by 30 April 2020.

Based on the invoice date and before provision for impairment, the following table sets out the ageing analysis of trade and lease receivables of the Group:

	As at 31 July			As at 30 April
	2017	2018	**2019**	**2020**
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***
				(Unaudited)
0 to 90 days	36,224	75,238	**42,346**	**115,203**
91 to 180 days	3,377	10,292	**38,547**	**20,769**
181 to 365 days	1,960	7,756	**7,313**	**21,558**
Over 365 days	5,544	2,925	**4,814**	**4,088**
	47,105	96,211	**93,020**	**161,618**

As at 31 July 2017, 2018 and 2019 and 30 April 2020, trade and lease receivables of approximately HK$21.6 million, HK$37.8 million, HK$40.5 million and HK$73.0 million respectively were past due but not impaired. These relate to trade and lease receivables from a number of independent customers of whom there is no recent history of default. The following table sets out the ageing analysis of trade and lease receivables that were past due but not impaired:

	As at 31 July			As at 30 April
	2017	2018	**2019**	**2020**
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***
				(Unaudited)
Up to 90 days	18,330	31,184	**27,616**	**54,849**
91 to 180 days	462	4,673	**5,094**	**12,042**
181 to 365 days	2,456	1,956	**6,271**	**5,642**
Over 365 days	307	–	**1,551**	**421**
	21,555	37,813	**40,532**	**72,954**

As at 30 April 2020, the trade and lease receivables (based on invoice date) that were aged over 90 days amounted to approximately HK$46.4 million. In terms of the proportion of total trade and lease receivables, the trade and lease receivables aged over 90 days accounted for approximately 28.7% as of 30 April 2020, as compared to approximated 54.5% as of 31 July 2019.

As at 30 April 2020, the trade and lease receivables (past due but not impaired) aged up to 90 days increased from approximately HK$27.6 million as at 31 July 2019 to approximately HK$54.8 million as at 30 April 2020. The trade and lease receivables aged up to 90 days (past due but not impaired) accounted for approximately 33.9% of the total trade and lease receivables as at 30 April 2020, which was generally comparable with those of approximately 38.9%, 32.4% and 29.7% as at 31 July 2017, 2018 and 2019, respectively. So far as the Directors are aware, the outbreak of COVID-19, where several customers adopted workplace measures such as having home office and/or staff shift rotation, was a factor causing the slower settlement of trade and lease receivables as at 30 April 2020.

The Group had reviewed the credit quality of each customer with trade and lease receivable balance and generally the balances were due from customers who have no history of default. Apart from the provision for impairment of trade and lease receivables that the Group had made, the Directors consider that no further impairment is necessary in respect of these balances which were not impaired as there has not been a significant change in the credit quality of these customers and the balances are not considered to have any recoverability issue and still considered fully recoverable. No collateral is held by the Group over these balances.

The following table sets out the movements in the Group's provision for impairment of trade and lease receivables:

	Year ended 31 July			Nine months ended 30 April
	2017	2018	**2019**	**2020**
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***
				(Unaudited)
Balance at beginning of the year	4,274	3,594	**2,784**	**3,451**
Impairment losses recognised during the year	–	–	**667**	**709**
Impairment losses reversed	(680)	(810)	**–**	**–**
	3,594	2,784	**3,451**	**4,160**

As at 31 July 2017, 31 July 2018 and 31 July 2019, the accumulated impairment loss for bad and doubtful debts amounted to approximately HK$3.6 million, HK$2.8 million and HK$3.5 million. The decrease in impairment losses recognized for trade and lease receivables for the year ended 31 July 2018 was solely due to partial settlement of the trade and lease receivable of the customer whom there was an allowance for these trade and lease receivables made in the year ended 31 July 2015. The increase in impairment losses recognized for trade and lease receivables for the year ended 31 July 2019 and for the nine months ended 30 April 2020 was mainly due to the expected credit losses excluding specific trade and lease receivables.

As permitted by HKFRS 9, the impairment allowance is determined in general based on business nature with similar credit risk characteristics and the days past due. No further impairment was recognised in opening provision for impairment of trade and lease receivables at 1 August 2018 on transition to HKFRS 9.

Set out below is the information about the credit risk exposure on the Group's trade and lease receivables using a provision matrix:

As at 30 April 2020

	Expected credit loss rate	**Gross carrying amount excluding specific trade and lease receivables**	**Expected credit losses excluding specific trade and lease receivables**	**Gross carrying amount of specific trade and lease receivables**	**Loss allowance for specific trade and lease receivables**	**Total loss allowance as at 30 April 2020**	**Total loss allowance as at 31 July 2019**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000*** ***(Unaudited)***	*HK$'000*
Rental segment							
Current	0.6991%	29,378	(205)	–	–	**(205)**	(118)
1 to 90 days	1.2232%	15,517	(190)	–	–	**(190)**	(32)
91 to 180 days	3.7704%	1,277	(48)	–	–	**(48)**	(80)
181 to 365 days	9.3729%	121	(11)	–	–	**(11)**	(69)
Over 365 days	25.5581%	140	(36)	837	(837)	**(873)**	(356)
Sub-total		46,433	(490)	837	(837)	**(1,327)**	(655)
Sales segment							
Current	0.0111%	55,654	(6)	–	–	**(6)**	(3)
1 to 90 days	0.0207%	39,332	(8)	–	–	**(8)**	(4)
91 to 180 days	0.0400%	10,765	(4)	–	–	**(4)**	(1)
181 to 365 days	0.0620%	5,521	(4)	–	–	**(4)**	(3)
Over 365 days	5.5261%	281	(16)	2,795	(2,795)	**(2,811)**	(2,785)
Sub-total		111,553	(38)	2,795	(2,795)	**(2,833)**	(2,796)
Total		157,986	(528)	3,632	(3,632)	**(4,160)**	(3,451)

As at the Latest Practicable Date, accumulated impairment loss for bad and doubtful debts amounted to approximately HK$1.8 million.

The following table sets out the average trade and lease receivable turnover days of the Group:

	As at 31 July			As at 30 April
	2017	2018	**2019**	**2020**
Average trade receivable turnover days [Note]	53	42	**58**	**71**

Note: Average trade receivables turnover days equal to the average trade and lease receivables divided by total revenue and multiplied by 365 days for the year ended 31 July 2017, 31 July 2018 and 31 July 2019, and multiplied by 274 days for the nine months ended 30 April 2020. Average trade and lease receivables are equal to trade and lease receivables at the beginning of the year/period plus trade and lease receivables at the end of the year/period and divided by two.

The Group's credit terms generally range from 30 to 90 days. The average trade and lease receivable turnover days decreased from 53 days as at 31 July 2017 to 42 days as at 31 July 2018, and increased slightly to 58 days as at 31 July 2019 and 71 days as at 30 April 2020. Such change was generally in line with the credit period the Group granted to its customers. The fluctuation of the average turnover days during the three years ended 31 July 2019 and for the nine months ended 30 April 2020 was mainly the result of the different settlement practices of customers of the Group as well as the different credit terms granted by the Group.

As at the Latest Practicable Date, trade and lease receivables of approximately HK$106.4 million, or 67.6%, (net of allowance for doubtful debts) as at 30 April 2020 of HK$157.5 million had been settled, where the outstanding trade and lease receivables amounted to approximately HK$51.1 million, among which approximately HK$26.5 million were not yet past due. As aforementioned, apart from the provision for impairment of trade and lease receivables that the Group had already made, the Directors consider the balances of the outstanding trade and lease receivables do not have any recoverability issue and are fully recoverable.

Trade and other payables and accruals and contract liabilities

The following table sets out the Group's trade and other payables and accruals and contract liabilities as at 31 July 2017, 2018, 2019 and 30 April 2020:

	As at 31 July			As at 30 April
	2017	2018	**2019**	**2020**
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***
				(Unaudited)
Trade payables	6,565	5,191	**8,505**	**3,588**
Other payables and accruals	5,018	4,645	**4,045**	**8,538**
Unclaimed dividends	–	–	**–**	**1**
Contract liabilities	3,234	18,021	**9,919**	**12,283**
	14,817	27,857	**22,469**	**24,410**

As at 31 July 2017, 2018, 2019 and 30 April 2020, the trade payables of the Group are mainly payables for the purchase of heavy equipment and spare parts, whereas the other payables and accruals of the Group were primarily composed of (i) accrued staff cost; (ii) accrued listing expenses; (iii) accrued administrative and operating expenses; and (iv) accrued director fee.

The following tables set out the ageing analysis of trade payables of the Group:

	As at 31 July			As at 30 April
	2017	2018	**2019**	**2020**
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***
				(Unaudited)
Up to 90 days	6,565	5,191	**5,400**	**3,200**
91 to 180 days	–	–	**1,144**	**387**
Over 180 days	–	–	**1,961**	**1**
	6,565	5,191	**8,505**	**3,588**

	As at 31 July			As at 30 April
	2017	2018	**2019**	**2020**
Average trade payables turnover days	9	4	**5**	**4**

Note: Average trade payables turnover days equal to the average trade payables divided by cost of revenue and multiplied by 365 days for year ended 31 July 2017, 31 July 2018, 31 July 2019, and multiplied by 274 days for the nine months ended 30 April 2020. Average trade payables are equal to trade payables at the beginning of the year plus trade payables at end of the year/period and divided by two.

The average trade payables turnover days of the Group remains stable for the three years ended 31 July 2019 and for the nine months ended 30 April 2020.

For purchase of heavy equipment, payment in advance or cash on delivery is normally required by the suppliers of the Group. For purchase of spare parts, the credit terms generally range from 0 to 30 days. The trade payables were settled within the credit period granted for purchase of spare parts.

Other payables and accruals were approximately HK$5.0 million, HK$4.6 million and HK$4.0 million as at 31 July 2017, 2018 and 2019, respectively, and increased to approximately HK$8.5 million as at 30 April 2020, mainly due to the increase of accrued staff costs for operators by approximately HK$2.1 million as at 30 April 2020 as compared with that as at 31 July 2019, as a result of the expansion of the leasing business which required additional machine operators during the nine months ended 30 April 2020.

As at the Latest Practicable Date, approximately HK$3.6 million, or 100.0%, of the trade payables of the Group as at 30 April 2020 has been settled.

Contract liabilities amounted to approximately HK$3.2 million, HK$18.0 million, HK$9.9 million and HK$12.3 million as at 31 July 2017, 2018, 2019 and 30 April 2020, respectively. They primarily represented the non-refundable deposits received from customers for ordering earthmoving equipment from the Group. The increase in amount during 31 July 2017 to 31 July 2018 was mainly attributable to the notable increase in sales made by the Group during the year ended 31 July 2018 as compared with the preceding year. The increase in amount during 31 July 2019 to 30 April 2020 was mainly attributable to the deposits received from customers for ordering earthmoving equipment as at 30 April 2020.

CASH FLOWS

The following table sets forth a condensed summary of the Group's consolidated statement of cash flow during the Track Record Period:

	Year ended 31 July			Nine months ended 30 April
	2017	2018	**2019**	**2020**
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***
				(Unaudited)
Operating profit before working capital changes	21,227	80,380	**73,122**	**81,725**
Changes in working capital	(72,129)	(183,732)	**(64,488)**	**(43,991)**
Hong Kong Profits Tax paid	(10,055)	(4,769)	**(90)**	**(2,650)**
Finance costs paid	(1,248)	(2,540)	**(3,929)**	**(4,896)**
Net cash generated from/(used in) operating activities	(62,205)	(110,661)	**4,615**	**30,188**
Net cash used in investing activities	(10,088)	(4,196)	**(2,764)**	**(2,470)**
Net cash generated from/(used in) financing activities	152,295	44,466	**7,335**	**(60,060)**
Effect of foreign exchange rate changes	750	(578)	**12,501**	**(1,536)**
Net increase/(decrease) in cash and cash equivalents	80,752	(70,969)	**21,687**	**(33,878)**
Cash and cash equivalents at the beginning of the year/period	35,470	116,222	**45,253**	**66,940**
Cash and cash equivalents at the end of the year/period	116,222	45,253	**66,940**	**33,062**

Net cash generated from/(used in) operating activities

The Group recorded net cash used in operating activities of approximately HK$62.2 million for the year ended 31 July 2017. This was primarily the result of positive operating profit before working capital changes of approximately HK$21.2 million, net working capital outflow of approximately HK$72.1 million and income tax paid of approximately HK$10.1 million. The Group's net working capital outflow was mainly attributable to the net effect of the (i) increase in inventories of approximately HK$52.0 million; (ii) increase in prepayments, deposits and other receivables of approximately HK$22.4 million; and (iii) increase in other payables and accruals of approximately HK$3.3 million.

The Group recorded net cash used in operating activities of approximately HK$110.7 million for the year ended 31 July 2018. This was primarily the result of positive operating profit before working capital changes of approximately HK$80.4 million and net working capital outflow of approximately HK$183.7 million. The Group's net working capital outflow was mainly attributable to the net effect of the (i) increase in trade receivables of approximately HK$51.5 million; (ii) increase in inventories of approximately HK$83.5 million; (iii) increase in prepayments, deposits and other receivables of approximately HK$64.2 million; and (iv) increase in contract liabilities of approximately HK$17.1 million.

The Group recorded net cash generated from operating activities of approximately HK$4.6 million for the year ended 31 July 2019. This was primarily the result of positive operating profit before working capital changes of approximately HK$73.1 million and net working capital outflow of approximately HK$64.5 million. The Group's net working capital outflow was mainly attributable to the net effect of the (i) increase in inventories of approximately HK$32.4 million; (ii) increase in prepayments, deposits and other receivables of approximately HK$29.9 million; and (iii) decrease in contract liabilities of approximately HK$8.1 million.

The Group recorded net cash generated from operating activities of approximately HK$30.2 million for the nine months ended 30 April 2020. This was primarily the result of positive operating profit before working capital changes of approximately HK$81.7 million and net working capital outflow of approximately HK$44.0 million. The Group's net working capital outflow was mainly attributable to the net effect of the (i) increase in trade receivables of approximately HK$68.6 million; and (ii) decrease in inventories of approximately HK$11.8 million.

For the explanation for the fluctuation of current assets and liabilities, please refer to the relevant analysis under the sections of Financial Position of the Group.

Net cash used in investing activities

For the year ended 31 July 2017, the Group recorded net cash used in investing activities of approximately HK$10.1 million, primarily as a result of increase in pledged bank deposit of approximately HK$10.0 million.

For the year ended 31 July 2018, the Group recorded net cash used in investing activities of approximately HK$4.2 million, primarily as a result of the purchase of property, plant and equipment of approximately HK$14.6 million and the decrease in pledged bank deposit of approximately HK$10.0 million.

For the year ended 31 July 2019, the Group recorded net cash used in investing activities of approximately HK$2.8 million, primarily as a result of the purchase of property, plant and equipment of approximately HK$3.4 million.

For the nine months ended 30 April 2020, the Group recorded net cash used in investing activities of approximately HK$2.5 million, primarily as a result of the purchase of property, plant and equipment of approximately HK$4.3 million.

Net cash generated from/(used in) financing activities

For the year ended 31 July 2017, the Group recorded net cash generated from financing activities of approximately HK$152.3 million. This was primarily as a result of proceeds from shares issued of approximately HK$106.7 million in relation to its Listing and bank borrowings raised of approximately HK$269.7 million, which was partly offset by repayment of bank borrowings of approximately HK$221.3 million.

For the year ended 31 July 2018, the Group recorded net cash generated from financing activities of approximately HK$44.5 million. This was primarily as a result of bank borrowings raised of approximately HK$309.1 million and partly offset by the repayment of bank borrowings of approximately HK$264.3 million.

For the year ended 31 July 2019, the Group recorded net cash generated financing activities of approximately HK$7.3 million. This was primarily as a result of bank borrowings raised of approximately HK$318.5 million and partly offset by the repayment of bank borrowings of approximately HK$306.2 million and dividend paid of approximately HK$5.0 million.

For the nine months ended 30 April 2020, the Group recorded net cash used in financing activities of approximately HK$60.1 million. This was primarily as a result of the repayment of bank borrowings of approximately HK$268.6 million and dividend paid of approximately HK$15.0 million and partly offset by bank borrowings raised of approximately HK$225.5 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2017, 31 July 2018, 31 July 2019 and 30 April 2020, the Group had total bank and cash balances of approximately HK$116.2 million, HK$45.3 million, HK$66.9 million and HK$33.1 million, respectively.

As at 31 July 2017, 31 July 2018, 31 July 2019 and 30 April 2020, the Group had bank borrowings of approximately HK$65.0 million, HK$109.2 million, HK$134.1 million and HK$89.4 million, respectively, and finance lease payables of approximately HK$0.4 million, HK$30,000, nil and nil, respectively. The bank borrowings of the Group were import loans and short term loans to finance the purchase of heavy equipment. The loans were secured and arranged at floating rates.

The Group had unutilized banking facilities of approximately nil, HK$5.8 million, HK$17.4 million and HK$77.0 million as at 31 July 2017, 31 July 2018, 31 July 2019 and 30 April 2020, respectively.

The current ratio (as calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 July 2018 was approximately 2.9 times as compared to that of approximately 3.7 times as at 31 July 2017. The decrease was mainly due to the fact that the current assets did not increase as much as the current liabilities in terms of percentage. The current ratio of the Group as at 31 July 2019 was approximately 2.3 times. The decrease was mainly attributable to increase in bank borrowings of approximately HK$24.9 million. The current ratio of the Group as at 30 April 2020 increased to 3.1 times mainly attributable to the decrease in bank borrowings of approximately HK$44.7 million and the increase in trade and lease receivables of approximately HK$67.9 million.

The gearing ratio, calculated based on total debts (including bank borrowings and finance lease payables and lease liabilities) divided by total equity at the end of the year ended 31 July 2018 and multiplied by 100%, was approximately 23.6%, 32.9%, 36.7% and 23.5% as at 31 July 2017, 31 July 2018, 31 July 2019 and 30 April 2020, respectively.

WORKING CAPITAL

The Company has historically met its capital expenditure, working capital and other liquidity requirements from bank borrowings, cash flow from operations and the proceeds from the Listing. The Company monitors its cash flows and cash balance on a regular basis and strives to maintain a liquidity that can meet its working capital needs while scaling up its business to the optimal size.

The following table sets out the breakdown of the Group's indebtedness as at 31 July 2017, 2018, 2019 and 30 April 2020:

	As at 31 July			As at 30 April
	2017	2018	**2019**	**2020**
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***
				(Unaudited)
Banks borrowings	64,985	109,229	**134,095**	**89,437**
Lease liabilities	–	–	**–**	**2,632**
Finance lease payables	386	30	**–**	**–**
	65,371	109,259	**134,095**	**92,069**

The Company entered into one finance lease during the three years ended 31 July 2019 and the nine months ended 30 April 2020.

The Directors are of the opinion that, after taking into account the internal resources and existing facilities available to the Group, the Group has sufficient working capital for at least the next 12 months from the date of this announcement.

DIVIDEND

For the nine months ended 30 April 2019, the Board declared an interim dividend of HK0.5 cent per Share, amounting to HK$5.0 million. Such declared interim dividend of HK$5.0 million was paid to the shareholders of the Company on 17 April 2019. For the nine months ended 30 April 2020, the Board declared a special dividend of HK1.5 cents per Share, accounting to HK$15.0 million, which was paid to the shareholders on 19 March 2020. Save as disclosed above, the Board did not declare any dividend during the three years ended 31 July 2019 and the nine months ended 30 April 2020.

MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no other material acquisition and disposal, change of business model of the Group, change of Controlling Shareholders and Directors since the Listing.

The Directors further confirm that subsequent to 31 July 2019 and up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of the Group and there have been no unfavourable trends or developments which may have a material adverse impact on the Group's business operations or financial performance.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 27 July 2017, the date on which the Shares were listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 30 June 2017. The Share Option Scheme will remain valid and effective following the Transfer of Listing and will be implemented in full compliance with the requirements under Chapter 17 of the Main Board Listing Rules. The purpose of the Share Option Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or any of its subsidiaries.

As at the date of this announcement, no option has been granted under the Share Option Scheme and there are no outstanding share options. The listing of Shares to be issued pursuant to the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

As at the date of this announcement, the Company has not issued any other options, warrants or similar rights or convertible equity securities.

BIOGRAPHICAL INFORMATION OF THE DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

The biographical information of each Director and each member of the senior management is as follows:

Executive Directors

Mr. Chow Luen Fat ("**Mr. Chow**"), aged 47, is the chairman of the Board and the chief executive officer. Mr. Chow was appointed as a Director on 11 December 2015 and was re-designated as an executive Director on 4 August 2016. Mr. Chow also holds directorships in all the subsidiaries of the Company. Mr. Chow is primarily responsible for overall management, strategic planning, procurement and development of the Group. Mr. Chow is the spouse of Ms. Cheng Ju Wen ("**Ms. Cheng**"), the non-executive Director of the Company. Mr. Chow has more than 22 years of experience in the heavy equipment industry. Prior to founding the Group, Mr. Chow worked for Shing Lee Construction Machinery Co. Limited from March 1998 to February 1999. From 1999 to 2001, Mr. Chow operated Tak Lee Machinery Company, an unlimited company in Hong Kong, which was engaged in the sales of used heavy equipment in Hong Kong. In March 2001, Mr. Chow co-founded Tak Lee Machinery Company Limited with Ms. Cheng and acted as its director. Mr. Chow has also been serving as a director of the subsidiaries of the Company, namely Econsmart Limited, Success Sky Corporation Limited and Creative Day Limited since October 2001, October 2010 and August 2018, respectively.

Mr. Chow served on the Hong Kong Construction Machinery Association (which was subsequently incorporated as the Hong Kong Construction Machinery Association Company Limited on 24 December 2009) as the president from July 2005 to June 2006 and had served as the honorary president from July 2007 for a term of ten years ended in June 2017 and continues to serve as the honorary president from July 2017 for a term of four years. Mr. Chow obtained a bachelor's degree in engineering from Tohwa University in Japan in March 1998.

Save as disclosed above, Mr. Chow did not hold directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

As at the date of this announcement, Mr. Chow was interested in 750,000,000 Shares, representing 75% of the issued Shares, through his controlled corporation, Generous Way, within the meaning of Part XV of the SFO. Generous Way is legally and beneficially owned as to 50% by Mr. Chow and 50% by Ms. Cheng. Mr. Chow and Ms. Cheng are also directors of Generous Way.

Mr. Chow has entered into a service agreement with the Company for a term of three years commencing on the 27 July 2020 subject to renewal and termination by either party in accordance with the terms thereof, and retirement and re-election provisions in the Articles of Association. Mr. Chow is entitled to an annual director's remuneration of HK$2,640,000 for acting as an executive Director. His remuneration was determined by the Board with reference to market terms, his duties and responsibilities within the Group upon the recommendation by the Remuneration Committee of the Company.

Mr. Chow was a director of the following companies, which were incorporated in Hong Kong prior to their respective dissolution:

Name of company	**Date of dissolution**	**Means of dissolution**	**Business nature**
Chain Success Limited	3 August 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding
Charm Era Limited	23 December 2016	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance *(Note)*	Dormant
Everfull (H.K.) Limited	26 July 2013	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding

Name of company	Date of dissolution	Means of dissolution	Business nature
Fine Wise Corporation Limited	27 January 2017	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance *(Note)*	Dormant
Liplong Limited	14 July 2017	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance *(Note)*	Dormant
Max Control Limited	16 August 2013	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding
Mega Colour Development Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding
Most Point Limited	27 May 2016	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance *(Note)*	Investment holding
Sheenford Holdings Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding

Name of company	Date of dissolution	Means of dissolution	Business nature
Starter Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding
Top Asset Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding
Twin Wealth Limited	26 March 2010	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding
Win Step Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities. Under section 750 of the Companies Ordinance, an application to deregister a company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

Save as disclosed above, there are no other matters concerning Mr. Chow that need to be brought to the attention of the holders of the securities of the Company nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Main Board Listing Rules.

Ms. Liu Shuk Yee ("**Ms. Liu**"), aged 36, was appointed as an executive Director on 4 August 2016 and is primarily responsible for the sales and marketing, operation, procurement and development of the Group. Ms. Liu has approximately 18 years of experience in the heavy equipment industry. She joined the Group in August 2002 as a sales officer, and was promoted progressively over the years to manager in July 2009 and senior manager in December 2010. Ms. Liu obtained a bachelor's degree of arts in business administration and management from De Montfort University in the United Kingdom through a distance learning course in September 2013.

Save as disclosed above, Ms. Liu did not hold directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas. Ms. Liu (i) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company and (ii) does not have any interests in the Shares within the meaning of Part XV of the SFO.

Ms. Liu has entered into a service agreement with the Company for a term of three years commencing on 27 July 2020 subject to renewal and termination by either party in accordance with the terms thereof, and retirement and re-election provisions in the Articles of Association. Ms. Liu is entitled to an annual director's remuneration of HK$676,000 for acting as an executive Director. Her remuneration was determined by the Board with reference to market terms, her duties and responsibilities within the Group upon the recommendation by the Remuneration Committee of the Company.

Save as disclosed above, there are no other matters concerning Ms. Liu that need to be brought to the attention of the holders of the securities of the Company nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Main Board Listing Rules.

Ms. Ng Wai Ying ("**Ms. Ng**"), CPA & FCCA, aged 47, was appointed as an executive Director and the company secretary of the Company on 4 August 2016. She has been appointed as the chief financial officer since May 2016. Ms. Ng is primarily responsible for the overall financial affairs and management and company secretarial matters of the Group. Ms. Ng is also the compliance officer of the Company.

Ms. Ng has over 25 years of experience in auditing and financial management. From July 1995 to March 1997, Ms. Ng worked as an audit assistant in Morison Heng CPA Limited. Ms. Ng joined Deloitte Touche Tohmatsu in August 1997 and her last position was senior accountant when she left in May 2000. From July 2000 to July 2001, Ms. Ng joined Sino-i.com Limited as an accountant. From June 2001, Ms. Ng worked as the accounting manager at Asia Aluminum Holdings Limited and her last position was financial controller when she left in March 2009. From August 2009 to November 2015, Ms. Ng was the financial controller in Trillion New HK Limited.

Ms. Ng graduated from The Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in October 1995. Ms. Ng has been admitted as a fellow member of The Association of Chartered Certified Accountants since October 2003. Ms. Ng has also been admitted as a member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since October 1998.

Save as disclosed above, Ms. Ng did not hold directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas. Ms. Ng (i) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company and (ii) does not have any interests in the Shares within the meaning of Part XV of the SFO.

Ms. Ng has entered into a service agreement with the Company for a term of three years commencing on 27 July 2020 subject to renewal and termination by either party in accordance with the terms thereof, and retirement and re-election provisions in the Articles of Association. Ms. Ng is entitled to an annual director's remuneration of HK$1,001,000 for acting as an executive Director. Her remuneration was determined by the Board with reference to market terms, her duties and responsibilities within the Group upon the recommendation by the Remuneration Committee of the Company.

Save as disclosed above, there are no other matters concerning Ms. Ng that need to be brought to the attention of the holders of the securities of the Company nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Main Board Listing Rules.

Non-executive Director

Ms. Cheng Ju Wen ("**Ms. Cheng**"), aged 48, was appointed as a Director on 11 December 2015 and was redesignated as the non-executive Director on 4 August 2016. Ms. Cheng also holds directorships in all the subsidiaries of the Company. Ms. Cheng is primarily responsible for strategic planning and business development of the Group. Ms. Cheng is the spouse of Mr. Chow Luen Fat, an executive Director of the Company.

From 1999 to 2001, Ms. Cheng operated Tak Lee Machinery Company, an unlimited company in Hong Kong, which was engaged in the sales of used heavy equipment in Hong Kong. In March 2001, Ms. Cheng co-founded and acted as a director of Tak Lee Machinery. Ms. Cheng has also been serving as a director of the subsidiaries of the Company, namely Econsmart Limited, Success Sky Corporation Limited and Creative Day Limited since October 2001, October 2010 and August 2018, respectively. Ms. Cheng obtained a bachelor's degree in engineering from Tohwa University in Japan in March 1998.

Save as disclosed above, Ms. Cheng did not hold directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas. As at the date of this announcement, Ms. Cheng was interested in 750,000,000 Shares, representing 75% of the issued Shares, through her controlled corporation, Generous Way, within the meaning of Part XV of the SFO. Generous Way is legally and beneficially owned as to 50% by Ms. Cheng and 50% by Mr. Chow. Ms. Cheng and Mr. Chow are also directors of Generous Way.

Ms. Cheng has entered into an appointment letter with the Company for a term of one year commencing on 27 July 2020 subject to renewal and termination by either party in accordance with the terms thereof, and retirement and re-election provisions in the Articles of Association. Ms. Cheng is entitled to an annual director's remuneration of HK$600,000 for acting as the non-executive Director. Ms. Cheng was a director of the following companies, which were incorporated in Hong Kong prior to their respective dissolution:

Name of company	**Date of dissolution**	**Means of dissolution**	**Business nature**
Chain Success Limited	3 August 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding
Charm Era Limited	23 December 2016	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance *(Note)*	Dormant
Everfull (H.K.) Limited	26 July 2013	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding
Fine Wise Corporation Limited	27 January 2017	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance *(Note)*	Dormant

Name of company	Date of dissolution	Means of dissolution	Business nature
Liplong Limited	14 July 2017	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance *(Note)*	Dormant
Max Control Limited	16 August 2013	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding
Mega Colour Development Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding
Most Point Limited	27 May 2016	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance *(Note)*	Investment holding
Starter Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding
Top Asset Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding

Name of company	Date of dissolution	Means of dissolution	Business nature
Twin Wealth Limited	26 March 2010	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding
Win Step Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*	Investment holding

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities. Under section 750 of the Companies Ordinance, an application to deregister a company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

Save as disclosed above, there are no other matters concerning Ms. Cheng that need to be brought to the attention of the holders of the securities of the Company nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Main Board Listing Rules.

Independent non-executive Directors

Sir Kwok Siu Man KR ("**Sir Seaman Kwok**"), aged 61, was appointed as an independent non-executive Director on 30 June 2017. He is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Sir Seaman Kwok has over 35 years of experience in legal, regulatory compliance and corporate secretarial matters and management gained from working for, including but not limited to, the positions set out in the following table:

Period of employment	Name of the group and companies	Position
April 1987 – August 1991	The Great Eagle Company, Limited, formerly a Hong Kong listed company and currently a wholly-owned subsidiary of Great Eagle Holdings Limited (stock code: 41)	Administration manager and company secretary
February 1991 – August 1991	Great Eagle Holdings Limited (stock code: 41)	Company secretary
August 1991 – December 2001	Sing Tao Holdings Limited (former stock code: 233)	Company secretary
February 2002 – November 2004	Elegance Finance Printing Services Ltd.	Assistant general manager – business development
November 2004 – January 2006	K. Wah Management Services Limited	Deputy general manager – company secretarial
March 2005 – November 2005	K. Wah International Holdings Limited (stock code: 173)	Company secretary
January 2006 – January 2011	S E A Holdings Limited (stock code: 251) (including South-East Asia Investment & Agency Company Limited and Asian Growth Properties Limited, a company listed on the AIM of the London Stock Exchange)	Company secretary

Period of employment	Name of the group and companies	Position
February 2011 – March 2013	Lai Sun Group (including Lai Fung Holdings Limited (stock code: 1125), Lai Sun Development Company Limited (stock code: 488), eSun Holdings Limited (stock code: 571) and Lai Sun Garment (International) Limited (stock code: 191)	Group company secretary
September 2013 – present	Boardroom Corporate Services (HK) Limited	Executive director (since October 2016) and head of corporate secretarial department (since September 2013)
May 2014 – present	Boardroom Share Registrars (HK) Limited	Director

Further, Sir Seaman Kwok has been a director of Lam Kin Chung Morning Sun Charity Fund since its incorporation in May 1992, which is principally engaged in the promotion of education in Hong Kong. From February 2015 to March 2016, Sir Seaman Kwok was an independent non-executive director of Grand Ocean Advanced Resources Company Limited (formerly known as De Team Company Limited), a company listed on the Main Board of the Stock Exchange (stock code: 65).

As at the Latest Practicable Date, Sir Seaman Kwok was also the company secretary or a joint company secretary of the following companies listed on the Stock Exchange:

Name and stock code	Position	Period of service
AM Group Holdings Limited (stock code: 1849)	Company secretary	Since June 2018
Anacle Systems Limited (stock code: 8353)	Joint company secretary	Since November 2016
Apex Ace Holding Limited (stock code: 6036)	Company secretary	Since August 2018
Asia Pioneer Entertainment Holdings Limited (stock code: 8400)	Company secretary	Since March 2017
Bar Pacific Group Holdings Limited (stock code: 8432)	Joint company secretary	Since December 2018
China Machinery Engineering Corporation (stock code: 1829)	Joint company secretary	Since February 2018
EDICO Holdings Limited (stock code: 8450)	Joint company secretary	Since June 2017
ELL Environmental Holdings Limited (stock code: 1395)	Company secretary	Since March 2014
Furniweb Holdings Limited (stock code: 8480)	Joint company secretary	Since March 2019
Icon Culture Global Company Limited (stock code: 8500)	Company secretary	Since February 2020
Kidsland International Holdings Limited (stock code: 2122)	Company secretary	Since June 2020
Nexion Technologies Limited (stock code: 8420)	Company secretary	Since December 2018
Oriental University City Holdings (H.K.) Limited (stock code: 8067)	Company secretary	Since September 2013

Name and stock code	Position	Period of service
Prosper One International Holdings Company Limited (stock code: 1470)	Company secretary	Since September 2017
Ritamix Global Limited (stock code: 1936)	Company secretary	Since December 2018
S&P International Holding Limited (stock code: 1695)	Company secretary	Since November 2017
Sino Harbour Holdings Group Limited (stock code: 1663)	Company secretary	Since August 2018
Snack Empire Holdings Limited (stock code: 1843)	Company secretary	Since September 2018
SouthGobi Resources Ltd. *(Note)* (Hong Kong stock code: 1878) (Toronto stock code: SGQ)	Hong Kong company secretary	Since October 2016
Tsui Wah Holdings Limited (stock code: 1314)	Company secretary	Since September 2016
Xinghua Port Holdings Ltd. (stock code: 1990)	Joint company secretary	Since July 2017

Note: The shares of the company are dual-listed on the Stock Exchange and the Toronto Stock Exchange.

Sir Seaman Kwok confirms that for his appointments as the company secretary or a joint company secretary in 21 listed companies, all of such appointments are made under engagements between these companies and Boardroom Corporate Services (HK) Limited (in which Sir Seaman Kwok acts as an executive director and the head of corporate secretarial division)("**BCSL**"). Therefore, staff support has always been provided from BCSL in fulfilling his various company secretarial roles. Given that Sir Seaman Kwok only acts as an independent non-executive director of one listed company, i.e. the Company, and has gained familiarity with the Company's affairs for acting as the independent non-executive Director for over three years' time, and together with the support he has from BCSL for his various company secretarial roles, and on the basis that (i) notwithstanding his current other engagements, he had attended all board meetings, meetings of the board committees and general meetings (except one due to personal reason) of the Company since the Listing and reviewed and commented on the announcements, circulars and reports issued by the Company as well as the minutes and resolutions of the Directors; (ii) as an independent non-executive Director, he only participates in the decision-making process of significant matters such as the operational strategies of the Group and oversees the proper functioning of the Group for good corporate governance; and (iii) the Transfer of Listing should not materially alter his duties as the Company's independent non-executive Director or add to his workload, Sir Seaman Kwok considers that he has been, and will continue to be, able to devote sufficient time to discharge his duties as an independent non-executive Director.

Sir Seaman Kwok obtained a professional diploma in company secretaryship and administration and a bachelor's degree of arts in accountancy from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in 1983 and 1994, respectively. He earned a post-graduate diploma in laws from the Manchester Metropolitan University in England in 1998 and passed the Common Professional Examinations of England and Wales in the same year. Sir Seaman Kwok was a council member of The Hong Kong Institute of Chartered Secretaries ("**HKICS**") from May 1989 to December 2005 and from December 2008 to May 2010. From June 1997 to June 1999, Sir Seaman Kwok was the chief examiner for Hong Kong Company Secretarial Practice module of the international qualifying scheme of the HKICS. Sir Seaman Kwok has been admitted as a fellow member of The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in England since 1990, the HKICS since 1994, The Institute of Financial Accountants in England since 1996, The Association of Hong Kong Accountants and The Hong Kong Institute of Directors since 2014 and the Institute of Public Accountants in Australia since 2015. Sir Seaman Kwok has also been a member of the Hong Kong Securities and Investment Institute (formerly known as Hong Kong Securities Institute) since 1999. Sir Seaman also possesses other professional qualifications in arbitration, taxation, financial planning and human resource management. Sir Seaman Kwok was named in the International WHO'S WHO of Professionals in 1999 and conferred as a Knight of Rizal of the Philippines in June 2019.

Save as disclosed above, Sir Seaman Kwok did not hold directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas. Sir Seaman Kwok (i) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company and (ii) does not have any interests in the Shares within the meaning of Part XV of the SFO.

Sir Seaman Kwok has entered into an appointment letter with the Company for a term of one year commencing on 27 July 2020 subject to renewal and termination by either party in accordance with the terms thereof, and retirement and re-election provisions in the Articles of Association. Sir Seaman Kwok is entitled to an annual director's fee of HK$180,000 for acting as an independent non-executive Director.

Sir Seaman Kwok was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of company	**Date of dissolution**	**Means of dissolution**
Charming Hints Limited	10 October 2003	Dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance *(Note 2)*
Good Prospect Group Limited	4 May 2006	Dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance *(Note 2)*
Onways Investment Limited	19 December 2008	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note 1)*

Note 1: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration could only be made if (a) all the members of the company agreed to such deregistration; (b) the company had never commenced business or operation, or had ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company had no outstanding liabilities.

Note 2: Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong could strike a defunct company off the register of companies.

Save as disclosed above, there are no other matters concerning Sir Seaman Kwok that need to be brought to the attention of the holders of the securities of the Company nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Main Board Listing Rules.

Mr. Law Tze Lun ("**Mr. Law**"), aged 48, was appointed as an independent non-executive Director on 30 June 2017. He is the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee. Mr. Law has over 27 years of experience in auditing, accounting and finance. From January 1992 to May 1997, he worked as an audit staff and subsequently audit supervisor at Cheng, Kwok & Chang C.P.A.. Since July 1998, Mr. Law worked at Chiang & Lai C.P.A. as an officer and he was promoted to partner in April 2003. In February 2008, Mr. Law founded Law Tze Lun C.P.A., which provided accounting and auditing services. Since December 2010, Mr. Law has been a director of ANSA CPA Limited, which was principally engaged in the provision of auditing and accounting services.

Mr. Law has been serving as an independent non-executive director of Come Sure Group (Holdings) Limited (stock code: 794) since February 2009 Gemini Investments (Holdings) Limited since November 2010 (formerly known as Kee Shing (Holdings) Limited) (stock code: 174) and Justin Allen Holdings Limited (stock code: 1425) since March 2020, both of which are companies listed on the Main Board of the Stock Exchange. Mr. Law was an independent non-executive director of National Investments Fund Limited (stock code: 1227), which is a company listed on the Main Board of the Stock Exchange, during the period from 12 December 2013 to 20 September 2018.

In March 1999, Mr. Law obtained a bachelor's degree in commerce (accounting) from Curtin University of Technology in Australia. Since August 2000, Mr. Law has been admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants (currently known as CPA Australia). Mr. Law has also been admitted as an associate and certified public accountant of the Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) in October 2000 and March 2003, respectively, and as a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2014.

Save as disclosed above, Mr. Law did not hold directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas. Mr. Law (i) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company and (ii) does not have any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Law has entered into an appointment letter with the Company for a term of one year commencing on 27 July 2020 subject to renewal and termination by either party in accordance with the terms thereof, and retirement and re-election provisions in the Articles of Association. Mr. Law is entitled to an annual director's fee of HK$180,000 for acting as an independent non-executive Director.

Mr. Law was a director of the following companies, which were incorporated in Hong Kong prior to their respective dissolution:

Name of company	Date of dissolution	Means of dissolution
Cyber Investment Limited	2 November 2001	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*
Golden Glory Technology Limited	2 November 2001	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.

Save as disclosed above, there are no other matters concerning Mr. Law that need to be brought to the attention of the holders of the securities of the Company nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Main Board Listing Rules.

Dr. Wong Man Hin Raymond ("**Dr. Wong**"), aged 54, was appointed as an independent non-executive Director on 30 June 2017. He is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Dr. Wong has been serving as a director of companies listed on the Main Board and GEM of the Stock Exchange. Dr. Wong has been acting as an executive director since April 2002 and the deputy executive chairman since April 2007 of Raymond Industrial Limited (stock code: 229). Dr. Wong has also been serving as an independent non-executive director of Nan Nan Resources Enterprise Limited (stock code: 1229) since March 2008, Modern Healthcare Technology Holdings Limited (formerly known as Modern Beauty Salon Holdings Limited) (stock code: 919) since December 2009 and Zhejiang United Investment Holdings Group Limited (stock code: 8366) since July 2017.

Dr. Wong obtained a bachelor's degree in chemical engineering from Lehigh University in the United States in October 1988, a master's degree in economics from University of Hawaii at Manoa in December 1994 and a doctorate degree in business administration from The Hong Kong Polytechnic University in September 2018. Dr. Wong has been admitted a Certified Management Accountant and a member of American Institute of Certified Public Accountants since September 1998 and May 1999, respectively. Dr. Wong was also awarded a certificate in financial management by the Institute of Certified Management Accountants in April 1999.

Dr. Wong has entered into an appointment letter with the Company for a term of one year commencing on 27 July 2020 subject to renewal and termination by either party in accordance with the terms thereof, and retirement and re-election provisions in the Articles of Association. Dr. Wong is entitled to an annual director's fee of HK$180,000 for acting as an independent non-executive Director.

Save as disclosed above, Dr. Wong did not hold directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas. Dr. Wong (i) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company and (ii) does not have any interests in the Shares within the meaning of Part XV of the SFO.

Dr. Wong was a director of the following company, which was incorporated in Hong Kong prior to its dissolution:

Name of company	**Date of dissolution**	**Means of dissolution**
Good Nature Company Limited	18 January 2013	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance *(Note)*

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.

Save as disclosed above, there are no other matters concerning Dr. Wong that need to be brought to the attention of the holders of the securities of the Company nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Main Board Listing Rules.

Senior Management

Mr. Lee Shun On ("**Mr. Lee**"), aged 36, is the parts and service support manager. Mr. Lee is responsible for overseeing the sales of spare parts and after sale services. Mr. Lee was awarded the craft certificate in basic construction plant maintenance for completion of a course organised by the Vocational Training Council in July 2002, and he has completed the basic craft course in construction plant maintenance and repairs organised by the Construction Industry Training Authority in August 2002.

Mr. Lee also obtained the intermediate trade test certificate from the Vocational Training Council for passing an intermediate trade test in electrical work taken in January 2002 and the construction plant mechanic intermediate trade test certificate from the Construction Industry Training Authority in June 2002.

Mr. Lee has worked in the heavy equipment industry for over 6 years. He joined the Group in March 2014 as a technician and was promoted progressively over the years to parts and service support manager in May 2018.

Mr. Shang-Kuan Cheuk Man ("**Mr. Shang-Kuan**"), aged 39, is the sales and service support manager. Mr. Shang-Kuan oversees the day-to-day sales and leasing activities including procurement and after sales services. Mr. Shang-Kuan obtained the certificate in general studies from The University of Hong Kong School of Professional and Continuing Education Community College in 10 September 2003.

Mr. Shang-Kuan has worked in the heavy equipment industry for approximately 5 years since he joined the Group as a clerk in October 2014. Mr. Shang-Kuan was promoted progressively over the years to sales and service support manager in May 2018.

None of the senior management has held any directorships in any listed companies in the three years preceding the date of this announcement.

Company Secretary

Ms. Ng Wai Ying has been the company secretary of the Company since 4 August 2016. Ms. Ng is ordinarily resident in Hong Kong. Please refer to the paragraph headed "Executive Directors" in this section for details of her qualification and experience.

FINANCIAL INDEPENDENCE

The Group has an independent financial system and makes financial decisions according to its own business needs. There is no financial assistance, guarantee and/or security provided by the Controlling Shareholders and their respective associates of the Group since the Listing and up to the Latest Practicable Date. The Directors believe that the Company is capable of obtaining financing from third parties without reliance on the Controlling Shareholders.

COMPETING INTEREST

As at the date of this announcement, none of the Directors and Controlling Shareholders and their respective close associates has an interest in a business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to Rules 8.10(1) and 8.10(2) of the Main Board Listing Rules.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 9 December 2019 to allot new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of (i) the conclusion of the next annual general meeting of the Company following the passing of the relevant mandates; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association, or any other applicable laws of the Cayman Islands; or (iii) the date on which the authority given to the Directors is revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting of the Company.

PUBLIC FLOAT

The Company has engaged an independent third party agent to make an enquiry into its shareholding. For the purpose of calculating the number of Shareholders and the figures disclosed in the section, a Shareholder who holds Shares through multiple brokerage accounts via different brokerage firms has been counted as a single Shareholder by the independent third party agent. Based on the information received up to the date of this announcement and to the best knowledge of the Directors upon due inquiry, as at 21 July 2020 (being the latest practicable date for the Company to ascertain the following information prior to the Transfer of Listing), (i) at least 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules); (ii) the Company has at least 300 Shareholders; and (iii) not more than 50% of the Shares held by the public are held by the three largest public Shareholders. Accordingly, the public float requirements have been maintained in compliance with Rule 8.08 of the Main Board Listing Rules. As at the date of this announcement, the Controlling Shareholder held in aggregate 750,000,000 Shares, representing 75% of the entire issued share capital of the Company.

With reference to the information provided by the independent third party agent, as at 21 July 2020, (i) a total of 628 Shareholders were identified, holding an aggregate of 984,380,000 Shares, representing approximately 98.44% of the entire issued share capital of the Company, among which 3 Shareholders, holding an aggregate of 230,000 Shares (the "**Corporate Vehicle Shares**"), representing 0.02% of the entire issued share capital of the Company, were corporate vehicles (all of which were institutional investors) whose ultimate beneficial owners could not be identified; and (ii) 15,620,000 Shares, representing approximately 1.56% of the entire issued share capital of the Company, were held by unidentifiable Shareholders (the "**Unidentifiable Shares**"). The below table sets out the Shareholders' spread as at 21 July 2020:

	Aggregate number of Shares held	**Percentage of shareholding to the total issued Shares**	**Aggregate number of Shares held (assuming all the Unidentifiable Shares and the Corporate Vehicle Shares were held by these Shareholders)**	**Percentage of shareholding to the total issued Shares**
Top three identifiable public Shareholders	65,640,000	6.56%	81,490,000	8.15%
Top 20 identifiable Shareholders (including the Controlling Shareholder)	873,010,000	87.30%	888,860,000	88.89%
Top 25 identifiable Shareholders (including the Controlling Shareholder)	880,130,000	88.01%	895,980,000	89.60%

Based on the review of (i) the register of members of the Company; (ii) the information provided by the independent third party agent; and (iii) the disclosure of interests of the Company from the website of the Stock Exchange, the Directors are of the view, and the Joint Sponsors concur, that the Company will comply with the open market requirement under Rule 8.08 of the Main Board Listing Rules immediately following the Transfer of Listing.

As at the date of this announcement, so far as the Directors are aware, the following person (other than the Directors and the chief executive of the Company) had interests and/or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Shareholder	**Capacity/ Nature of interest**	**Number of Shares held** (Note 1)	**Percentage of the Company's issued share capital**
Generous Way	Beneficial owner	750,000,000 (L)	75%
Mr. Chow (Note 2)	Interest in a controlled corporation	750,000,000 (L)	75%
Ms. Cheng (Note 2)	Interest in a controlled corporation	750,000,000 (L)	75%

Notes:

1. The Letter "L" denotes a person's long position (as defined under Part XV of the SFC) in the Shares.

2. Mr. Chow and Ms. Cheng are spouses. Generous Way is beneficially owned as to 50% by Mr. Chow and 50% by Ms. Cheng. By virtue of the SFO, each of Mr. Chow and Ms. Cheng is deemed, or taken to be, interested in the Shares held by Generous Way.

Save as disclosed above, as at the date of this announcement, the Company has not been notified of any other person (other than the Director or the chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTROLLING SHAREHOLDERS

There has been no change of the controlling shareholders of the Company since the Listing. As at the date of this announcement, Mr. Chow and his spouse, Ms. Cheng, through Generous Way, are beneficially interested in 75% of the issued share capital of the Company, and hence Mr. Chow, Ms. Cheng and Generous Way are the Controlling Shareholders.

USE OF PROCEEDS

The Company was listed on GEM on 27 July 2017 with issue of 250,000,000 offer shares offered at HK$0.44 per Share. The net proceeds from the Listing, after deducting the listing-related expenses, were approximately HK$99.0 million. After the Listing, the proceeds were used in the same manner and in the same proportion to the use of proceeds as specified in the section headed "Future plans and use of proceeds" of the Prospectus. As at 31 July 2019, the Group had fully utilized the net proceeds in accordance with the future plans and use of proceeds as set out in the Prospectus. The following table sets for a breakdown of the Group's use of net proceeds up to 31 July 2019:

	Planned use of net proceeds as stated in the Prospectus up to 31 July 2019	**Actual use of net proceeds up to 31 July 2019**
	HK$'000	*HK$'000*
Procurement of heavy equipment	64,350	64,350
Enhancement and expansion of existing facilities	14,157	14,157
Development of TLMC brand heavy equipment	5,247	5,247
Recruitment and training of staff	5,346	5,346
Working capital	9,900	9,900
Total	99,000	99,000

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of quarterly reporting of financial results and will follow the relevant requirements of the Main Board Listing Rules which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Board is of the view that the investors and Shareholders will continue to have access to relevant information on the Company following the reporting requirements under the Main Board Listing Rules.

COMPLIANCE WITH THE GEM LISTING RULES

To the best knowledge of the Directors, the Group did not have any serious or potentially serious breach of or material non-compliance with the GEM Listing Rules since the date of the Listing and up to the date of this announcement.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection on the websites of the Company at www.tlmc-hk.com and the Stock Exchange at www.hkexnews.hk:

(a) the Memorandum of Association and the Articles of Association of the Company;

(b) the first quarterly report of the Company for the three months ended 31 October 2019;

(c) the Directors' report and the annual report of the Company for the year ended 31 July 2019;

(d) the interim report of the Company for the six months ended 31 January 2020;

(e) the third quarterly report of the Company for the nine months ended 30 April 2020;

(f) the circular of the Company dated 10 October 2019 in respect of, among others, the general mandates to issue and repurchase Shares and re-election of Directors; and

(g) a copy of each of the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	Tak Lee Machinery Holdings Limited (德利機械控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and, in the case of the Company, means Mr. Chow, Ms. Cheng and Generous Way

"Directors"	the director(s) of the Company
"First Shanghai"	First Shanghai Capital Limited, a licenced corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity
"GEM"	the GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Generous Way"	Generous Way Limited, a company incorporated in the BVI with limited liability on 28 September 2015, which is beneficially owned as to 50% by Mr. Chow and 50% by Ms. Cheng
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	a person(s) or company(ies) who/which, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, is/are not connected with (within the meaning of the Main Board Listing Rules) any member of the Group, Directors, chief executive and the substantial shareholders of the Company and its subsidiaries, and their respective associates
"Joint Sponsors"	First Shanghai and Southwest Securities
"Latest Practicable Date"	16 September 2020, being the latest practicable date prior to the issue of this announcement for ascertaining certain information in this announcement
"Listing"	the listing of the Shares on GEM on 27 July 2017

"Macau"	the Macao Special Administrative Region of the PRC
"Main Board"	the Main Board of the Stock Exchange
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Mr. Chow"	Mr. Chow Luen Fat (周聯發), a Controlling Shareholder, an executive Director and the spouse of Ms. Cheng
"Ms. Cheng"	Ms. Cheng Ju Wen (鄭如雯), a Controlling Shareholder, a non-executive Director and the spouse of Mr. Chow
"Nomination Committee"	the nomination committee of the Board
"ODM"	original design manufacturing, where a manufacturer designs and manufactures a product which is specified by the customer and eventually sold under the brand name of the customer
"OEM"	original equipment manufacturing, whereby products are manufactured in accordance with the customer's design and specifications and are marketed and sold under the customer's brand name
"PRC"	the People's Republic of China
"Prospectus"	the Company's prospectus dated 17 July 2017 and issued in connection with the Listing
"Remuneration Committee"	the remuneration committee of the Board
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal or par value of HK$0.01 each in the share capital of the Company

"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 30 June 2017
"Shareholder(s)"	holder(s) of the Share(s)
"Southwest Securities"	Southwest Securities (HK) Capital Limited, a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Transfer of Listing"	the transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A of the Main Board Listing Rules
"US" or "United States"	the United States of America
"USD" or "US$"	United States dollars, the lawful currency of the US

By order of the Board
Tak Lee Machinery Holdings Limited
Chow Luen Fat
Chairman

Hong Kong, 24 September 2020

As at the date of this announcement, the executive Directors are Mr. Chow Luen Fat, Ms. Liu Shuk Yee and Ms. Ng Wai Ying; the non-executive Director is Ms. Cheng Ju Wen; and the independent non-executive Directors are Dr. Wong Man Hin Raymond, Mr. Law Tze Lun and Sir. Kwok Siu Man KR.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Listed Company Announcements" page of the GEM website for a minimum period of 7 days from the date of its publication. This announcement will also be published on the Company's website at www.tlmc-hk.com.